VYSOKÉ UČENÍ TECHNICKÉ V BRNĚ
BRNO UNIVERSITY OF TECHNOLOGY

FAKULTA PODNIKATELSKÁ
ÚSTAV EKONOMIKY

FACULTY OF BUSINESS AND MANAGEMENT
INSTITUT OF ECONOMICS

THE MARKETING STRATEGY OF NUGGET COMPANY

MARKETINGOVÁ STRATEGIE FIRMY NUGGET

DIPLOMOVÁ PRÁCE
MASTER'S THESIS

AUTOR PRÁCE BC. TOMÁŠ NEHYBA
AUTHOR

VEDOUCÍ PRÁCE ING. VÍT CHLEBOVSKÝ, PH.D.
SUPERVISOR

BRNO 2010

Brno University of Technology
Faculty of Business and Management

Academic year: 2009/2010
Institute of Economics

MASTER'S THESIS ASSIGNMENT

Nehyba Tomáš, Bc.

European Business and Finance (6208T150)

Pursuant to Act. No. 111/1998 Coll., on Higher Education Institutions, and in accordance with the Rules for Studies and Examinations of the Brno University of Technology an Dean's Directive on Realization of Bachelor and Master Degree Programs, the director of the Institute of is submitting you a master's thesis of the following title:

The Marketing Strategy of Nugget Company

In the Czech language:

Marketingová strategie firmy Nugget

Instruction:

Introduction
Executive summary
Theoretical basis of the work
Problem analysis and current situation
Proposals and contribution of suggested solutions
Conclusions
References
Apendices

Literature / Sources:

BÁRTA, V., BÁRTOVÁ, H. Marketingový výzkum trhu. Praha: Economia, 1991. 107 s. ISBN 80-85378-09-4.
BOUČKOVÁ, J. a kol. Marketing. Praha: Beck, 2003. 432 s. ISBN 80-7179-577-1.
FORET, M., STÁVKOVÁ, J. Marketingový výzkum - Jak poznávat své zákazníky. Praha: Grada Publishing, 2003. 159 s. ISBN 80-247-0385-8.
KOTLER, P. Marketing od A do Z. Praha: Management Press, 2003. 203 s. ISBN 80-7261-082-1.
SVĚTLÍK, J. Marketing – Cesta k trhu. Plzeň: Vydavatelství a nakladatelství Aleš Čeněk, 2005. 340 s. ISBN 80-86898-48-2.

The supervisor of master's thesis: Ing. Vít Chlebovský, Ph.D.

Submission deadline master's thesis is given by the Schedule of the Academic year 2009/2010.

L.S.

Ing. Tomáš Meluzín, Ph.D.
Director of the Institute

doc. RNDr. Anna Putnová, Ph.D., MBA
Dean of the Faculty

Brno, 31.08.2010

Vysoké učení technické v Brně
Fakulta podnikatelská

Akademický rok: 2009/2010
Ústav ekonomiky

ZADÁNÍ DIPLOMOVÉ PRÁCE

Nehyba Tomáš, Bc.

European Business and Finance (6208T150)

Ředitel ústavu Vám v souladu se zákonem č.111/1998 o vysokých školách, Studijním a zkušebním řádem VUT v Brně a Směrnicí děkana pro realizaci bakalářských a magisterských studijních programů zadává diplomovou práci s názvem:

Marketingová strategie firmy Nugget

v anglickém jazyce:

The Marketing Strategy of Nugget Company

Pokyny pro vypracování:

Úvod
Vymezení problému a cíle práce
Teoretická východiska práce
Analýza problému a současné situace
Vlastní návrhy řešení, přínos návrhů řešení
Závěr
Seznam použité literatury
Přílohy

Seznam odborné literatury:

BÁRTA, V., BÁRTOVÁ, H. Marketingový výzkum trhu. Praha: Economia, 1991. 107 s. ISBN 80-85378-09-4.
BOUČKOVÁ, J. a kol. Marketing. Praha: Beck, 2003. 432 s. ISBN 80-7179-577-1.
FORET, M., STÁVKOVÁ, J. Marketingový výzkum - Jak poznávat své zákazníky. Praha: Grada Publishing, 2003. 159 s. ISBN 80-247-0385-8.
KOTLER, P. Marketing od A do Z. Praha: Management Press, 2003. 203 s. ISBN 80-7261-082-1.
SVĚTLÍK, J. Marketing – Cesta k trhu. Plzeň: Vydavatelství a nakladatelství Aleš Čeněk, 2005. 340 s. ISBN 80-86898-48-2.

Vedoucí diplomové práce: Ing. Vít Chlebovský, Ph.D.

Termín odevzdání diplomové práce je stanoven časovým plánem akademického roku 2009/2010.

L.S.

Ing. Tomáš Meluzín, Ph.D. Ředitel ústavu	doc. RNDr. Anna Putnová, Ph.D., MBA

V Brně, dne 29.08.2010

Abstract

Subject of this thesis is analysis of marketing strategy of Nugget Company and possible proposition of marketing strategy for next period. In theoretical part are described theoretical aspects for obtaining necessary data. In practical part are analyzed existing strategy with by means of SWOT, PEST and marketing mix analysis. With acquired information's and results will be propone development of marketing strategy for future period.

Abstrakt

Předmětem této práce je analýza marketingové strategie firmy Nugget a možný návrh marketingové strategie pro následující období. V teoretické části budou popsány teoretické aspekty pro získání potřebných dat. V praktické části bude analyzována stávající strategie pomocí analýz SWOT, PEST a marketingového mixu. Na základě získaných poznatků a výsledků budou navrženy možnosti rozvoje marketingové strategie pro budoucí období.

Key words

Marketing, Marketing Strategy, Marketing mix, SWOT analysis, PEST analysis

Klíčová slova

Marketing, Marketingová Strategie, Marketingový mix, SWOT analýza, PEST analýza

Bibliographic citation

NEHYBA, T. The m*arketing strategy of Nugget Company*. Brno: Brno University of Technology, Faculty of Business and Management, 2010. 93 p. Supervisor of master's thesis Ing. Vít Chlebovský, Ph.D.

Bibliografická citace

NEHYBA, T. *Marketingová strategie firmy Nugget.* Brno: Vysoké učení technické v Brně, Fakulta podnikatelská, 2010. 93 s. Vedoucí diplomové práce Ing. Vít Chlebovský, Ph.D.

Statutory declaration

Herewith I declare that submitted master's thesis is authentic and written independently. I also pronounce that citation of resources used in this thesis is complete, copyrights are not infringed (in the sense of Act. No. 121/2000 Coll., on Copyright Act. and on laws related to copyright Act.).

Prohlášení

Prohlašuji, že předložená diplomová práce je původní a zpracoval jsem ji samostatně. Prohlašuji, že citace použitých pramenů je úplná, že jsem ve své práci neporušil autorská práva (ve smyslu Zákona č. 121/2000 Sb., o právu autorském a o právech souvisejících s právem autorským).

In Brno 31st August 2010

V Brně dne 31. srpna 2010

…………………………………

Acknowledgement

Author would like to thank to Ing. Vít Chlebovský, Ph.D, for valuable remarks, advices and recommendations, which helped to elaborate this master thesis. Thereinafter thank to Nugget Company for information provided.

Poděkování

Tímto bych rád poděkoval Ing. Vít Chlebovský, Ph.D za cenné připomínky, rady a doporučení, kterými přispěl k vypracování této diplomové práce. Dále děkuji společnosti Nugget za poskytnuté informace.

Content

Introduction

Czech Republic experienced several years of strong economy growth. However, due to the global financial crisis, Czech Republic witnessed an economic slowdown and recession. Nowadays, economic situation has improved, but still remain slow recovery.

Global financial crisis affected almost every company, some of them must announced insolvency, and some of them remained low profitability. However, crisis affected also customers. Therefore, customers became more cautious about their own financial spending.

With an intensified competition and cautious customers, companies must prove high effort to convince customers to purchase their products. Hence, financial crisis has changed nature of business.

Manufacturers producing in apparel retail industry, especially producers of technical products based on high material quality must examine their marketing strategies and focus on customers, which perceived their products as proper for the purpose of use in terms of price, quality of processing, technical materials, after sale services etc.

Nugget Company has been on market for ten years, and fulfilling their mission and visions: to provide people with shared passion for extreme sports exclusive and quality clothing and to guarantee high quality and style.

Nugget marketing strategy is based on products, which are mainly defined for customers with passion for adrenalin sports, such as snowboarding, skateboarding etc. This strategy also includes sponsoring of well known athletes in this sports and sponsoring of many competitions and exhibitions. This aim is mainly for promoting company.

Nugget Company mainly operates on Czech market and become well recognised trademark. However, with an established international distribution, the recognition on European market is lower.

Author selected marketing strategy topic because of intense competitive environment and customer satisfaction. Main purpose of this thesis is to provide Nugget company possible propositions to improve or extended marketing strategy.

1. Theoretical part

1.1 Marketing

The most basic concept underlying marketing is that of human needs. Human needs are states of felt deprivation. They include basic physical needs for food, clothing, warmth and safety. Social needs for belonging and affection and individual needs for knowledge and self-expression. These needs were not created by marketers; they are a basic part of the human make-up. Wants are the form human needs take as they are shaped by culture and individual personality. Wants are shaped by ones society and are described in terms of objects that will satisfy needs. When backed by buying power, wants become demands. Given their wants and resources, people demand products with benefits that add up to the most value and satisfaction. Consumers' needs and wants are fulfilled through a market offering – some combination of products, services, information or experiences offered to a market to satisfy a need or want. Market offerings are not limited to physical products. They also include services, activities or benefits offered for sale that are essentially intangible and do not result in the ownership of anything. Market offerings also include other entities, such as persons, places, organisations, information and ideas (Armstrong et. al., 2009).

1.1.1 Customer value and satisfaction

Consumers usually face a broad array of product and services that might satisfy a given need. How do they choose among these many market offerings? Customers form expectations about the value and satisfaction that various market offerings will deliver and buy accordingly. Satisfied customers buy again and tell others about their good experiences. Dissatisfied customers often switch to competitors and disparage the product to others. Marketers must be careful to set the right level of expectations. If they set expectations too low, they may satisfy those of expectations. If they set expectations too low, they may satisfy those who buy but fail to attract enough buyers. If they raise expectations too high, buyers will be disappointed. Customer value and customer satisfaction are key building blocks for developing and managing customer relationships (Kotler, Armstrong, 2010).

1.1.2 Exchanges and relationship

Marketing occurs when people decide to satisfy needs and wants though exchange relationships. Exchange is the act of obtaining a desired object from someone by offering something in return. In the broadest sense, the marketer tries to bring about a response to some market offering. The response may be more than simply buying or trading products and services. Marketing consists of action taken to build and maintain desirable exchange relationships with target audiences involving a product, service, idea or other object. Beyond simply attracting new customers and creating transactions, the goal is to retain customers and grow their business with the company. Marketers want to build strong relationships by consistently delivering superior customer value (Armstrong et. al., 2009).

1.1.3 Markets

The concepts of exchange and relationships lead to the concept of a market. A market is the set of actual and potential buyers of a product. These buyers share a particular need or want that can be satisfied through exchange relationships.

Marketing means managing markets to bring about profitable customer relationships. However, creating these relationships takes work. Sellers must search for buyers, identify their needs, design good market offerings, set prices for them, promote them, and store and deliver them. Activities such as consumer research, product development, communication, distribution, pricing and service are core marketing activities (Kotler, Armstrong, 2010).

1.2 Marketing mix

The marketing mix of products, price, promotion and distribution is the means by which the company translates its strategy from a statement of intent to effort in the marketplace. Each of the elements of the mix should be designed to add up to the positioning required.

Viewed in this light it is evident that decisions on elements of the mix, such as pricing or advertising campaigns, cannot be considered in isolation from the strategy being pursued. A premium positioning, such as differentiating the company's offerings from the competition in terms of high product quality, could be destroyed through charging too low price. Similarly, for such a positioning to be achieved the product itself will have to deliver the quality claimed and the promotions used communicate its quality. The distribution channels selected and the physical distribution systems used or created must ensure that the products or services get to the target customers.
Where elements of the mix do not pull in the same direction but contradict each other, the positioning achieved will be confused and confusing to customers (Hooley et al.,2008).

1.2.1 Price and pricing

Kotler and Armstrong (2010) define price as the amount of money charged for a product or service. Or it can be defined more broadly as the sum of the values that consumers exchange for the benefits of having and using the product or service. The pricing challenge is to find the price that will let the company make a fair profit by getting paid for the customer value it crates. Onkvist and Shaw (2004) stressed, that price is an integral part of a product and a product cannot exist without a price. Price is important because it affects demand, and an inverse relationship between the two usually prevails. Price also affects the larger economy because inflation is caused by rapid price increases. Thus, price should never be isolated from the other parts of the marketing mix. It should never be treated as an isolated factor.

Price is the only marketing mix element that produces revenue, all other elements costs. Price is also one of the most flexible elements of the marketing mix. Unlike product features and channel commitments, price can be raised or lowered quickly (Kotler, Armstrong , 2010).

Consumers do not object to price. They want a fair price, and a fair price can be either high or low as long as it reflects the perceived value of the product. Too high price causes consumers to resist making a purchase because the value is not there. Therefore, price must be lower than the perceived value or exactly reflect the perceived value (Onkvist, Shaw, 2004).

Beamish and Ashford defined pricing objectives therefore reflect the basis of achieving profitability:

- To achieve return on investment – to ensure sufficient sales revenue to cover all associated cost bases and to pay back initial investment costs.

- To maximize profits – companies who struggle to compete and have low market share may need to charge high prices to maximize profits.

- To maximize sales revenue – this will relate to setting prices at a level that will maximize sales turnover

- To achieve product quality leadership – the basis of this objective will relate to providing the best quality product in the market in order to differentiate itself against its competitors, but will charge more than the competitors.

- Market skimming is where a company sets a high price to capture those customers who are willing to pay more for a product.

1.2.2 Product

According to Saaksvuori and Immonen (2008), product meaning is usually tangible products i.e. goods. The term goods refers to physical, tangible products that can be owned, traded, and distributed to different places at different times without changing their identity. However, a product in a modern world can also be something very intangible such as piece of software, a piece of knowledge or an algorithm or a formula. We mostly refer to three different kinds of products:

- Goods meaning physical, tangible products
- Services
- Intangible products meaning non-physical products that are not services.

In the digital marketing environment, consumers can be intimately involved in online marketing processes. The conventional concept for product development is no longer appropriate in the new environment. Instead, marketers should focus on developing capabilities to allow customers to mediate with online marketing processes (Ranchhod, 2004).

1.2.3 Place

Whether a place in question is for purposes of tourism, travel, investment, eating, working, learning, recreating, socializing, or living, either permanently or temporarily, place marketing emphasizes marketing approaches where the dominant element of the marketers offering is a definable place, topographically, geographically or otherwise. As such places may be countries, regions, cities, towns, private properties, attractions, shopping malls, office complexes or any other area, region or location. Places may be viewed as destinations that a marketer wishes to market to individuals or organisations located elsewhere, or they may be places that a marketer wishes to market to individuals or organisations already in residence (Dacko, 2008).

1.2.4 Promotion

With the advancement of telecommunications, large quantities of information can be transmitted inexpensively, multimedia objects can be transported efficiently and isolated computers can be networked globally. Consequently, the development of marketing communications needs to change from a traditional information-poor, emotional-rich focus to and information-rich, multidimensional focus. The educational, personal and entertainment aspects of marketing communications become useful catalysts to enable this transformation. These developments are all leading towards a more relational rather than transactional approach to marketing. The customer is part of the transactional process, not an idle recipient of a product augmented by promotion, price and directed to a location for purchase. There is now considerable interest in trying to understand how organisations can become customer-centric. Every organisation whether it is profit oriented or not, has to be able to satisfy its customers. To become customer centric, marketers need to be able to assess each customer individually and satisfy their needs either directly or through a third party. To develop a customer centric focus within organisations, a number of issues must be taken into account. (Ranchhod, 2004).

1.3 Product portfolio

According to Ferrell and Hartline (2008), it is very rare for a company to sell only one product. Most firms sell a variety of products to fulfill a variety of different needs. In general terms, the products sold by a firm can be described with respect to product lines and product mixes. A product line consists of a group of closely related product items. Most companies sell a variety of different product lines. A firm's product mix or portfolio is the total group of products offered by the company. Decisions regarding product lines and product mixes are important strategic considerations for most firms. One of these important decisions is the number of product lines to offer, referred to as the width or variety of the product mix. By offering a wide variety of product lines, the firm can diversify its risk across a portfolio of product offering. Also, a wide product mix can be used to capitalize on the strength and reputation of the firm.

A firm's product portfolio must be carefully managed to reflect changes in customers' preferences and the introduction of competitive products. Product offerings may be modified to change one or more characteristics that enhance quality, style or lower the products price.

1.3.1 New product development

One of the key issues in product strategy deals with the introduction of new products. The development and commercialisation of new products is a vital part of firm's efforts to sustain growth and profits over time. The success of new products depends on the products fit with the firm's strengths and a defined market opportunity. Market characteristics and the competitive situation will also affect the sales potential of new products.

New product depends on the point of view of both the firm and its customers. Although some product introductions are actually new, others may only be perceived as being new. Ferrell and Hartline (2008) stressed out six strategic options related to the newness of products:

- Discontinuous innovations. These products involve a pioneering effort by a firm that eventually leads to the creation of an entirely new market. These products are typically the result of radical thinking by individual inventors or entrepreneurs.

- New product lines. These products represent new offerings by the firm, but the firm introduces them into established markets. New product lines are not as risky as true innovation, and they allow the firm to diversify into closely related product categories.

- Product line extensions. These products supplement an existing product line with new styles, models, features, or flavors. These extensions allow the firm to keep its products fresh and exciting with minimal development costs and risk of market failure.

- Improvements or revisions of existing products. These products offer customers improved performance or greater perceived value. The common new and improved strategy used in packaged goods and the yearly design changes in the automobile industry are good examples.

- Repositioning. This strategy involves targeting existing products at new markets or segments. Repositioning can involve real or perceived changes to a product.

- Cost reductions. This strategy involves modifying products to offer performance similar to competing products at a lower price. Firms may be able to lower a products price due to improved manufacturing efficiency on a drop in the price of raw materials.

1.4 The marketing concept

The main premise of the concept is linking production and consumption. An organisation must be able to meet the needs of the customer, both in terms of organisational ability and the resources available. Meeting customer needs is a multifaceted activity that uses the full range of a company's resources, ranging from sales activities to final delivery and after-sales service. The marketing concept relies on the creation of value for consumers. The marketing concept has been defined as a process of achieving organisational goals through determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors do (Kotler, 1998).

This suggests that organisations most likely to succeed in the increasingly dynamic and competitive markets are those that take into account the expectations of their customers and gear themselves to satisfying these expectations better than their rivals (Ranchhod, 2004).

Consumer orientation means that firms strive to identify the group of people most likely to buy their product and to produce a good or offer a service that will meet the needs of the target customers most effectively. The goal orientation is that a firm must be consumer oriented only to the extent that it also accomplishes corporate goals. These goals in profit-making firms usually center on financial criteria, such as return on investment. The last component of the marketing concept is a systems orientation. A system is an organized whole or a group of diverse units that form an integrated whole functioning or operating in unison. A systems-oriented firm creates systems to monitor the external environment and deliver the marketing mix to the target market (McDaniel, Gates, 1998).

1.5 Marketing as a business process

Marketing should be thought of as the design and management of all the business processes necessary to define, develop and deliver value to target customers has often been the cornerstone of marketing thinking (Webster, 1997). He suggests that marketing should include the following:

- Value-defining processes: processes that enable an organisation to better understand the environment in which it operates, to understand its own resources and capabilities more clearly, to determine its own position in the overall value chain and to assess the value it creates through analysis of target customers.

- Value-developing processes: processes that crate value throughout the value chain, such as procurement strategy, new product and service development, design of distribution channels, strategic partnerships with service providers and, ultimately the development of the value proposition for customers.

- Value-delivering processes: processes that enable the delivery of value to customers including service delivery, customer relationship management, distribution and logistic management, marketing communications management, product and service enhancement and customer support services.

1.6 Mission formulation and statement

An organisation exists to accomplish something, and this purpose should be clearly stated. Forging a sound mission begins with the following questions: What is out business? Who is the customer? What do consumers value? What should our business be? These simple-sounding questions are among the most difficult the company will ever have to answer. Successful companies continuously raise these questions and answer them carefully and completely. Many organisations develop formal mission statements that answer these questions. A mission statement is a statement of the organisations purpose – what it wants to accomplish in the larger environment. A clear mission statement acts as an “invisible hand” that guides people in the organisation (Kotler, Armstrong, 2010).

Formulating the mission into a brief and concise statement that can be communicated across the organisation can help engender a sense of common purpose and also provide guidelines for how decisions will be made and resource allocations prioritised in the future. Poorly constructed statements can cause more damage than good by creating derision among employees, managers and even customers. An effective mission statement needs to spell out the following:

- The strategic intent or vision of where the organisation wants to be in the foreseeable future. The vision of an organisation such as a university might be enshrined in the achievement of a set of worthy social goals. For charity the vision may be to improve the quality of life for particular groups of people or animals.

- The values of the organisation should be spelled out to set the ethical and moral tone to guide operations. Once such statements have been made, however, it is clearly important that they are adhered to.

- The distinctive competencies of the organisation should be articulated; clearly stating what differentiates the organisation from others of its kind – what is the distinctive essence of the organisation. This is a difficult but necessary thing for many organisations to articulate. It seeks to spell out the individuality of the organisation, in essence why it exists as a separate entity and what is special about it.

- Market definition, in terms of major customer targets that the organisation seeks to serve and the functions or needs of those customers that will be served. Many successful entrepreneurs such as Richard Branson of Virgin have built their businesses around a clear definition of customer targets and their needs, seeking to serve them across many different product fields.

- The mission should spell out where the organisation is, or intends to be, positioned in the marketplace. This is the result of binging together market definition and distinctive skills and competencies.

Business definitions that are too narrow in scope are dangerous. They should include definition of both target market and function served. A camera manufacturer that defines its function in a way that includes only photochemical image storage ignores at its peril digital means of storing and manipulating images. The key to definition by function i not to be blinded by the company’s perception of the function but to allow the customer view to come through (Hooley et al. 2008).

1.7 Marketing planning

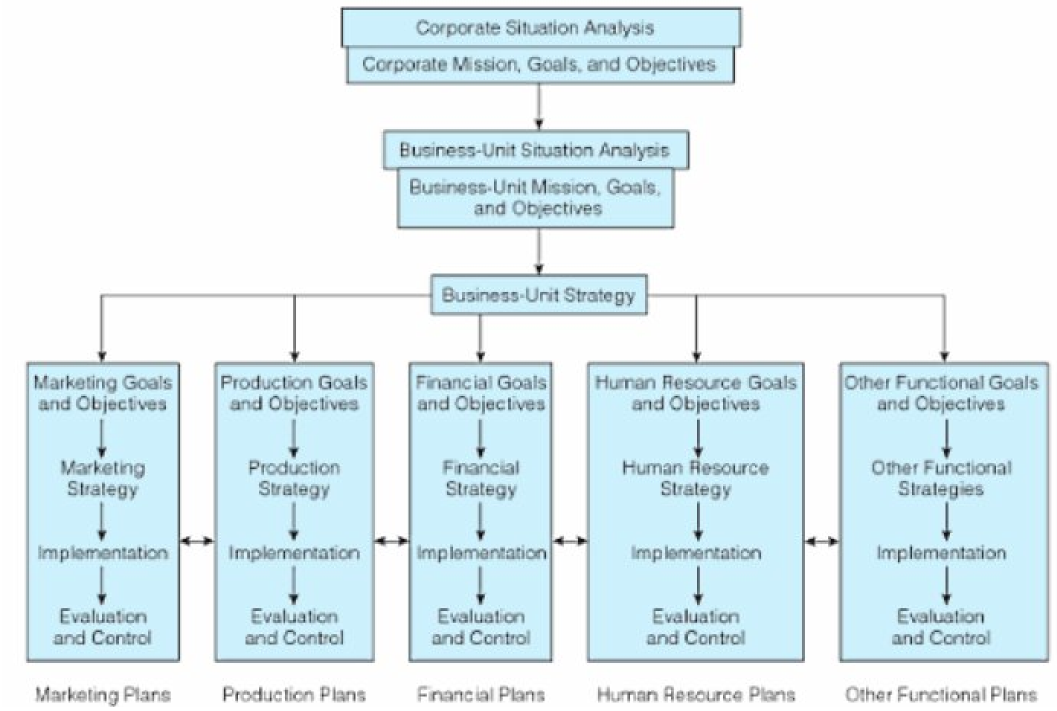
Through strategic planning, the company decides what it wants to do with each business unit. Marketing planning involves deciding on marketing strategies that will help the company attain its overall strategic objectives. A detailed marketing plan is needed for each business, product or brand. The plan begins with an executive summary, which quickly overviews major assessments, goals and recommendations. The main section of the plan presents a detailed analysis of the current marketing situation as well as potential threats and opportunities. It next states major objectives for the brand and outlines the specifics of a marketing strategy for achieving them.

A marketing strategy consists of specific strategies for target markets, positioning, the marketing mix and marketing expenditure levels. In this section, the planner explains how each strategy responds to the threats, opportunities and critical issues spelled out earlier in the plan. Additional sections of the marketing plan lay out an action programme for implementing the marketing strategy along with the details of a supporting marketing budget. The last section outlines the controls that will be used to monitor progress and take corrective action (Armstrong et. al., 2009).

1.7.1 The strategic planning process

Whether at the corporate, business-unit, or functional level, the planning process begins with an in-depth analysis of the organisations internal and external environments – sometimes referred to as a situation analysis. This analysis focuses on the firm's resources, strengths, and competitive capabilities, customer and environmental issues. Based on an exhaustive review of these relevant environmental issues, the firm establishes its mission, goals and objectives, its strategy and several functional plans. Planning efforts within each functional area will result in the creation of a strategic plan for that area. Although we emphasize the issues and processes concerned with developing a customer-oriented marketing strategy and marketing plan, we should stress that organisations develop effective marketing strategies and plans in concert with the organisations mission and goals, as well as the plans from other functional areas. Senior management must coordinate these functional plans in a manner that will achieve the organisations mission goals and objectives.

Figure 1 : The strategic planning process



Source: Ferrel and Hartline, Marketing Strategy (2008)

1.7.2 Strategic decisions

According to Wilson and Gilligan (2005), strategic decisions are concerned with seven principal areas:

- They are concerned with the scope of an organisations activities, and hence with the definition of an organisations boundaries.

- They relate to the matching of the organisations activities with the opportunities of its substantive environment. Since the environment is continually changing it is necessary for this to be accommodated via adaptive decision-making that anticipates outcomes.

- They require the matching of organisations activities with its resources. In order to take advantage of strategic opportunities it will be necessary to have funds, capacity, personnel, etc., available when required.

- They have major resource implications for organisations – such as acquiring additional capacity, disposing of capacity, or reallocating resources in a fundamental way.

- They are influenced by the values and expectations of those who determine the organisations strategy. Any repositioning of organisational boundaries will be influenced by managerial preferences and conceptions as much as by environmental possibilities.

- They will affect the organisations long-term direction.

- They are complex in nature since they tend to be non-routine and involve a large number of variables. As a result, their implications will typically extend throughout the organisation.

1.7.3 Marketing strategy implementation

Planning a strategy is only a start toward successful marketing. A marketing strategy count for little if the company fails to implement it properly. Marketing implementation is the process that turns marketing plans into marketing actions in order to accomplish strategic marketing objectives (Kotler, Armstrong, 2010).

Many authors argue that strategy formulation does not necessarily precede implementation. According to Ranchhod, (2004), the relationship between the two is reflexive and iterative. As the environment is constantly shifting and changing, it is hard to consider formulation and implementation separately. If these processes are interrelated, then marketers have to be able to deal with the intricacies of the interrelationship in order to create strategic success. Research carried out by Sashittal and Tankersley (1997) highlighted the following key factors:

- Market planning and implementation are closely related, with managers making improvisations in nearly all elements of their marketing plans (including objectives, targeted customers and the marketing mix) and in their implementation actions. Plans are continually improvised to fit day-to-day marketing changes, and implementation actions are adapted to fit with changing marketing plans.

- Market responses to changing plans often trigger further changes in plans and implementation processes.

- The implementation process is fraught with uncertainty and few outcomes are achieved as originally intended.

- The constant need to improvise means that issues are often emergent and adaptations occur in real time, without being predetermined.

- Marketing plans and implementation procedures often lack a rational approach and are determined by “gut” feel.

- Interactive communication within organisations is important in volatile and changing environments.

- Competitor activities can trigger changes in strategy formulation and implementation.

1.8 International marketing planning

Planning means looking into the future and deciding today what to do in the future given predicted or intended circumstances. The process of planning is troublesome and expensive, because it absorbs large amounts of time. It forces management to prepare for unforeseen eventualities, to clarify objective, to develop criteria for monitoring performance and to think ahead systematically. Also, it demands the conscious coordination of projects and the active participation and cooperation of several departments in the formation and execution of planned activities (Bennett, Blythe, 2002).

1.8.1 The international planning process

According to Bennett and Blythe (2002), international marketing plans derive from international marketing strategies. Frameworks for international marketing planning necessarily involve:

- Objective setting – this is the quantification and precise specification of targets.

- Resource planning – the examination of available resources and the determination of additional resources necessary to attain objectives.

- Environmental auditing – situation analysis and the assessment of the firms competitive position.

- Risk assessment – relating the probabilities of the success of various courses of action to the firms overall objectives and activities. An essential component of such an assessment is an analysis of the firms assumptions about the stability and prospects of the markets in which it plans to operate

- Sales and profit forecasts.

- Budgeting – including both expenditures and incomes for all of the markets the company expects to be involved in. Again, cross-referencing needs to take place so that budget deficits do not coincide too much.

- Tactical planning – operational plans for each component of the marketing mix should be drawn up.

1.8.2 Planning methods

Two overall approaches to planning are available: top-down, bottom-up (Bennett, Blythe, 2002).

Top-down planning

Head office plays the major role in the planning process, and acts as the focal point for generating fresh ideas and for coordinating and integrating activity. The major point in its favor is the inexperience of junior or local subsidiary managers in policy-making. They might not be familiar with the work of other units, so that their judgments may be short-sighted and might conflict with the needs of other aspects of the organisation. Headquarters staff, conversely, can adopt a broader perspective on the company's overall operations, and can facilitate the efficient use of worldwide corporate resources with central control to avoid each local unit doing its own thing. Foreign operations can be integrated into the company's global strategies (Bennett, Blythe, 2002).

Bottom-up planning

This utilizes the local knowledge and skills of managers in subsidiary units and should ensure that local conditions are properly considered when company plans are being formulated. Managers of subsidiaries develop their planning competencies, and through their involvement, may be better motivated and committed to the implementation of resulting policies. A problem, however, is that local subsidiaries are likely to put forward plans aimed at furthering the subsidiary's interests rather than the interests of the entire company (Bennett, Blythe, 2002).

1.9 The situation analysis

The purpose of the situation analysis, which is the first step in making the market analysis, is to obtain adequate background knowledge of the various elements which affect the marketing operations of a business. The situation analysis supplies a broad view of the entire business operation.

1.9.1 PEST analysis

A commonly used and immensely valuable technique for analyzing the external environment is a PEST analysis. PEST divides the overall environment into four areas and covers just about everything that can affect an organisation. The four areas are: Political, Economic, Social and Technological (Gregory, 2000).
These areas should be considered:

Political:

- Environmental legislation
- Employment legislation
- Trade legislation
- Change of government

Economic:

- Interest rates
- Inflation
- Money supply
- Levels of employment
- Disposable income
- Economic cycles
- Energy costs

Social:

- Population shifts and growth
- Lifestyles
- Levels of education
- Income/wealth distribution
- Consumer purchasing trends
- Social attitudes and concerns

Technological:

- New discoveries
- Rate of change
- Investment in technology
- Spending on research and development
- Impact of new technologies

The political environment

A number of aspects of the political environment clearly impinge on business activity. These range from general questions concerning the nature of the political system and its institutions and processes, to the more specific questions relating to government involvement in the working of the economy and its attempts to influence market structure and behavior.

Government activities, both directly and indirectly, influence business activity and government can be seen as the biggest business enterprise at national or local level. Given the trend towards the globalisation of markets and the existence of international trading organisations, international politico-economic influences on business activity represent one key feature of the business environment. Another is the influence of public, as well as political, opinion in areas such as environmental policy and corporate responsibility (Worthington, Britton, 2009).

The economic environment

The distinction made between the political and economic environment and legal environment is somewhat arbitrary. Government plays a major role in the economy at both national and local level and its activities help to influence both the demand and supply side. Nevertheless there are a number of other economic aspects related to business activity which are worthy of consideration. These include various structural aspects of both firms and markets and a comparison of economic theory and practice (Worthington, Britton, 2009).

The social environment

Both demand and supply are influenced by social, cultural and demographic factors. Cultural factors may affect the type of products being produced or sold, the markets they are sold in, the price at which they are sold and a range of other variables. People are a key organisational resource and a fundamental part of the market for goods and services. Socio-cultural influences and developments have an important effect on business operations, as do demographic changes (Worthington, Britton, 2009).

The technological environment

Technology is both an input and an output of business organisations as well as being an environmental influence on them. Investment in technology and innovation is frequently seen as a key to the success of an enterprise and has been used to explain differences in the relative competitiveness of different countries. It has also been responsible for significant developments in the internal organisation of businesses in the markets for economic resources (Worthington, Britton, 2009).

Limitations of PEST analysis

According to Henry (2008), PEST analysis is not simply writing a "shopping list", the use of disparate bullet points without any consideration of their wider ramifications. In listing the economic factors, one must clearly draw out the implications of each factor on the organisation's environment. In addition, the rate of change of PEST factors in the general environment and their increasing unpredictability acts to limit the use of PEST analysis. Some have argued that the competitive environment is the only true arena for the organisation to analyse since it is the competitive environment that has the greatest impact on a firms markets and products. Whilst there is agreement that the competitive environment has the greatest effect on an organisations ability to achieve competitive advantage, it would be unwise to refrain from analysing the general environment.

1.9.2 Porter's five forces framework

Porter (1980) developed a framework for analysing the nature and extent of competition within an industry. He argued that there are five competitive forces which determine the nature of competition within an industry. Understanding the nature and strength of each of the five forces within an industry assists managers in developing the competitive strategy of their organisation (Campbell, Stonehouse, Houston,2002).
The five forces are:

- The threat of new entrants
- The bargaining power of suppliers
- The bargaining power of buyers
- The threat of substitutes
- Rivalry among businesses in the industry

Figure 2: Five forces framework

Source: Campbell, Stonehouse and Houston, Business strategy: An introduction (2002)

According to Henry (2008), the five forces framework is undertaken from the perspective of an incumbent organisation, an organisation already operating in the industry. The analysis is best used at the level of an organisation's strategic business unit. Although each organisation in an industry is unique, the forces within the industry which affect its performance, and hence its profitability, will be common to all organisations in the industry. It is in this sense that Porter's contribution is pervasive, the ability to generalize these five forces to all organizations within the industry. Although the five forces analysis is undertaken from the perspective of an incumbent firm, it can be used to determine whether a firm outside an industry should enter the industry. In this case the barriers to entry which may be protecting the incumbent firm, it can be used to determine whether a firm outside an industry should enter the industry. In this case the barriers to entry which may be protecting the incumbents is an additional cost that outsiders must factor into their analysis of whether to enter the industry. An organisation thinking of entering an industry will need to know that it can successfully compete with incumbents in the industry. This will require it to adopt a distinctive positioning.

Threat of new entrants

The threat of new entrants is the extent to which new competitors may decide to enter an industry and reduce the level of profits being earned by incumbent firms. Where organisations in an industry earn profits well in excess of their cost of capital, the more likely it is to attract new entrants. The problem for many industries is that they are too easy to enter, and the easier it is for new organisations to enter the industry, the greater the excess capacity and more intense the competition. The threat of entry will depend on the existence of barriers to entry and the reaction of existing competitors. If entry barriers are high the threat of entry to the industry by new organisations will be low. Similarly, if a new entrant expects that existing firms will retaliate, this will act to deter the firm from entering the market (Henry,2008).

Identifying new entrants is important because they can threaten the market share of existing competitors. One reason new entrants pose such a threat is that they bring additional production capacity. Unless the demand for a good or service is increasing, additional capacity holds consumers costs down, resulting in less revenue and lower returns for competing firms. Often, new entrants have a keen interest in gaining a large market share. As a result, new competitors may force existing firm to be more efficient and to learn how to compete on new dimensions (Hitt, Ireland, Hoskisson,2009).

Economies of scale occur when the cost of each individual unit produced falls as the total number of units produced increases. Economies of scale tend to be associated with manufacturing organisations since the high capital costs of their plant need to be recovered over a high volume of output. The effect of economies of scale is to deter new entrants because it forces them to choose between two undesirable options: either they enter the industry at a high volume of output and risk a strong reaction from existing organisations, or they enter the industry at a small scale.

Avoiding a reaction from existing firms but operating at a cost disadvantage (Henry,2008).

Switching costs are the one-time costs customers incur when they buy from a different supplier. The costs of buying new ancillary equipment and of re-training employees, and even the psychic costs of ending a relationship, may be incurred in switching to a new supplier. Switching costs can vary as a function of time. Occasionally, a decision made by manufacturers to produce a new, innovative product creates high switching costs for the final consumer.

Through licensing and permit requirements, governments can also control entry into an industry. Liquor retailing, radio and TV broadcasting, banking and trucking are examples of industries in which government decisions and actions affect entry possibilities. Also, governments often restrict entry into some industries because of the need to provide quality service or the need to protect jobs (Hitt, Ireland, Hoskisson,2009).

Bargaining power of suppliers

Suppliers can exert bargaining power over participants in an industry by raising prices or reducing the quality of purchased goods and services. The factors that increase supplier power are the mirror image of those that increase buyer power. In this case the buyer is the firm in the industry and the supplier is the producer of that firms inputs (Henry,2008). Suppliers are powerful under the following circumstances:

- The suppliers industry is dominated by a few companies and is more concentrated than the industry it sells to. The larger the supplier and the more dominant it is, the more pressure it can place on firms in the industry it sells to. This is especially the case where a supplier is selling to many fragmented buyers.

- Suppliers are faced with few substitutes. Where there are few or no substitute supplies available the supplier will be in a powerful position.

- The industry is not an important customer of the supplier. When suppliers sell to several industries, and any given industry does not represent a significant proportion of its sales, suppliers will be in more powerful position.

- Increasing prices and reducing the quality of their products are potential means used by suppliers to exert power over firms competing within an industry. If a firm is unable to recover cost increases by its suppliers through its own pricing structure, its profitability is reduced by its suppliers actions (Hitt, Ireland, Hoskisson, 2009).

Bargaining power of buyers

Firms seek to maximize the return on their invested capital. Alternatively, buyers want to buy products at the lowest possible price – the point at which the industry earns the lowest acceptable rate of return on its invested capital. To reduce their costs, buyers bargain for higher quality, greater levels of service and lower prices. These outcomes are achieved by encouraging competitive battles among the industry's firms (Hitt, Ireland, Hoskisson,2009).

Customers are powerful when:

- They purchase a large portion of an industry's total output

- The sales of the product being purchased account for a significant portion of the sellers annual revenues.

- The industry's products are undifferentiated or standardized and the buyers pose a credible threat if they were to integrate backward into the sellers industry.

The bargaining power of buyers refers to the ability of buyers to bargain down prices charged by companies in the industry or to raise the costs of companies in the industry by demanding better product quality and service. By lowering prices and raising costs, powerful buyers can squeeze profits out of an industry. Thus, powerful buyers should be viewed as a threat. Alternatively, when buyers are in a weak bargaining position, companies in an industry can raise prices and perhaps reduce their cost by lowering product quality and service, thus increasing the level of industry profits (Hill, Jones, 2009).

Threat of substitutes

This is not competition from new entrants, but from products and services which can meet similar needs. By placing a ceiling on the prices organisations in the industry can profitably charge, substitutes limit the potential returns of an industry. The existence of substitutes means that customers can switch to these substitutes in response to a price increase. The more attractive is the price-performance ratio of substitute products the greater the restraint on an industry's profits. An attractive price-performance ratio could be a substitute product that is of a lesser quality but comes at a cheaper price. In trying to determine a substitute product, the organisation will need to identify products which can perform the same function as the industry product (Henry, 2008).

In general, product substitutes present a strong threat to a firm when customers face few, if any, switching costs and when the substitute products price is lower or its quality and performance capabilities are equal to or greater than those of the competing product. Differentiating a product along dimensions that customer's value reduces a substitute's attractiveness (Hitt, Ireland, Hoskisson, 2009).

Rivalry among businesses in the industry

A determinant of the competitive state of most industries and their overall profitability is competition among the organisations within the industry. When organisations in an industry exhibit a high degree of rivalry, this causes industry profits to be reduced. Such rivalry may take the form of incumbents competing aggressively on price. Price cuts can easily be matched by rivals and ultimately lower profits for all organisations in the industry. In contrast, advertising, product innovations and improved customer service may act to expand overall demand in the industry. Rivalry can increase when competitors in an industry see an opportunity to improve their market position. However, this will invariably be met by retaliatory moves from other organisations in the industry (Henry, 2008).

The competitive structure of an industry refers to the number and size distribution of companies in it, something that strategic managers determine at the beginning of an industry analysis. Industry structures vary, and different structures have different implications for the intensity of rivalry. A fragmented industry consists of a large number of small or medium-sized companies, none of which is in a position to determine industry price. A consolidated industry is dominated by a small number of large companies or by just one company, and companies often are in a position to determine industry prices.

Examples of fragmented industries are agriculture, dry cleaning, video rental, health clubs, and real estate brokerage. Consolidated industries include the aerospace, soft drink, automobile, pharmaceutical, stockbrokerage and beer industries. Many fragmented industries are characterized by low entry barriers and commodity-type products that are hard to differentiate. The combination of these traits tends to result in boom and bust cycles as industry profits rise and fall. Low entry barriers imply, that whenever demand is strong and profits are high, new entrants will flood the market, hoping to profit from the boom (Hill, Jones, 2009).

When fixed costs account for a large part of total costs, companies try to maximize the use of their productive capacity. Doing so allows the firm to spread costs across a larger volume of output. However, when many firm attempt to maximize their productive capacity; excess capacity is created on an industry-wide basis. To then reduce inventories, individual companies typically cut the price of their product and offer rebates and other special discounts to customers. However, these practices, common in the automobile manufacturing industry, often intensify competition. The pattern of excess capacity at the industry level followed by intense rivalry at the firm level is observed frequently in industries with high storage costs. As their inventories grow, producers of perishable goods often use pricing strategies to sell products quickly.

When buyers find a differentiated product that satisfies their needs, they frequently purchase the product loyally over time. Industries with many companies that have successfully differentiated their products have less rivalry, resulting in lower competition for individual firms. Firms that develop and sustain a differentiated product that cannot be easily imitated by competitors often earn higher returns. However, when buyers view products as commodities, rivalry intensifies. In these instances, buyers purchasing decisions are based primarily on price and, to a lesser degree, service (Hitt, Ireland, Hoskisson, 2009).

1.9.3 SWOT analysis

SWOT analysis refers to strength, weaknesses, opportunities and threats. Strengths and weaknesses refer to the organisation's internal environment over which the firm has control. Strengths are areas where the organisation excels in comparison with its competitors, while weaknesses are areas where the organisation may be at a comparative disadvantage. Opportunities and threats refer to the organisations external environment, over which it has much less control. SWOT may arise in both the general and the competitive environment. However, the unpredictable nature of events in the general environment tends to make the use of SWOT analysis more problematic (Henry, 2008).

Limitations of SWOT analysis

SWOT analysis provides a very basic premise for organisations to understand their own capabilities within the marketplace. At the same time, through analysing the opportunities available, it offers a chance to consider potential segments in the market that the organisation may have overlooked. There are weaknesses with this approach as individuals undertaking the exercise may only make a superficial assessment of an organisation's capabilities. Sometimes strengths and weaknesses lie within certain sectors of an organisation and this may not always be clear from an open-ended SWOT analysis. A truly strong analysis needs to be accompanied by an organisational audit as well as market research on both customers and competitors. However, for initial analysis of an organisation's position, this is a simple tool and is relatively effective. Used in conjunction with Porter's industry analysis, it helps to develop a better understanding of the forces acting on an organisation and the potential options available to it (Ranchhod, 2004).

1.10 Marketing control

According to Kumar (2001), four different types of marketing control can be distinguished:

- Annual-plan control
- Profitability control
- Efficiency control
- Strategic control

Controls are necessary to help ensure that firms achieve their desired outcomes. Defined as the formal, information-based procedures used by managers to maintain or alter patterns in organisational activities, controls help strategic leaders build credibility, demonstrate the value of strategies to the firms' stakeholders, and promote and support strategic change. Most critically, controls provide the parameters for implementing strategies as well as the corrective actions to be taken when implementation-related adjustments are required.

Financial control focuses on short-term financial outcomes. In contrast, strategic control focuses on the content of strategic actions rather than their outcomes. Some strategic actions can be correct but still result in poor financial outcomes because of external conditions such as a recession in the economy, unexpected domestic or foreign government actions, or natural disasters. Therefore, emphasizing financial controls often produces more short-term and risk-averse managerial decisions, because financial outcomes may be caused by events beyond managers' direct control. Alternatively, strategic control encourages lower-level managers to make decisions that incorporate moderate and acceptable levels of risk because outcomes are shared between the business-level executives making strategic proposals and the corporate-level executives evaluating them (Ireland, Hoskisson, Hitt, 2009).

2. Analytical part

2.1 Company characteristics

Nugget Company, in full name Nugget Clothing Systems, is part of DOS production. DOS production was entered in business list in 18. July 1998. Owners are Petr Odehnal with 2/3 share and Martin Koch with 1/3 share. Business subjects are production of textile wear, mediatory activity, purchase of good for re-sale and photographic services.

Nugget Clothing Systems

Nugget Clothing Systems (for purpose of this paper only Nugget) is a pure Czech brand that was established in the year 2000. The goal of founding this company was exclusivity and quality of clothing for people who share passion for snowboarding, skateboarding and music. It was a dream of founder to embody their life interests in the products and to create a lifestyle brand that would guarantee high quality and unique style.

Nugget Production

The production is divided in two main streams:

- Nugget clothing systems consists of equipment for skateboarding and street style
- Nugget outwear systems cover snowboard clothing and accessories

Nugget Company has a stable team of creative fashion designers which are busy with creating new designs or patterns to produce unique clothes. The basic element is a material of a high quality. Nugget clothes are mostly sewed in the Far East. Anyway they keep a fitting shop where the smaller part of collection is made. Owing to this shop the team is able to test new ideas and design. The most important fact about producing Nugget clothing is flawless processing of each sample. The new clothes and accessories are tested by the team riders before beginning of every season. This guarantees the highest comfort, quality and functionality of Nugget products.

Nugget Team

Nugget Team is represented by riders with total enthusiasm for extreme sports. Their excellent standings in competition and exhibition correspond to good support from Nugget Company. Nugget Team consists of 11 snowboarders, 6 skateboarders, 4 bikers and 3 kiteboarders.

Nugget Store

In February 2003, the first Nugget Skate Shop was opened in Brno in Běhounská street. After one year of flourishing trade the company decided to move to a larger and new reconstructed place in Orli street, where the new two storied shop was opened. In this store, customers can find the complete collection of Nugget clothing, many other fashion labels and other huge range of goods like shoes, clothes, skateboards or hardware.

In December 2008, Nugget Company opened another Nugget store shop in Campus Square, Brno - Bohunice for those, who do not like shopping in the centre of the city. It is settled at open-air square of a modern shopping center. Customers can find there a great variety of goods and labels. Recently, new Nugget store has been opened in Pardubice.

Mission and Vision

Mission and Vision of Nugget Company are to fulfill purpose of company founders. That was to provide people with shared passion for extreme sports exclusive and quality clothing and to guarantee high quality and style. Thus, the points are as follows:

- Quality production

- Original patterns
- Original designs
- Distribution extension

2.2 Market overview

The apparel retail industry consists of the sale of all menswear, womenswear and childrenswear. These categories contain active wear, casual wear, essentials, formal wear and outerwear. The industry value is calculated at retail selling price (RSP) and includes all taxes and levies. The industry in the Czech Republic has grown moderately in value in recent years and the growth rate is forecast to further decelerate. The Czech apparel retail industry had total revenue of $ 2,330 million in 2009, representing a compound annual growth rate (CAGR) of 1.7% for the period 2005 – 2009.

The most lucrative for the Czech apparel retail industry was sales of womenswear in 2009, with 53.3 % of the market's overall value. In contrast, menswear reached 30.5 % share of the market's overall value.

With and anticipated CAGR of 0.8%, the performance of the industry is forecast to decelerate for year period 2009 – 2014, with expected value of $ 2,425.7 million by the end of 2014. In comparison, the Polish and Hungarian industries will grow over the same period with 4, 6% and 2,2% respectively to reach values of $ 8,560 million and $ 1,842.7 million in 2014. (Datamonitor, Apparel retail in Czech Republic, 2010). For trade growth and production index see appendix 1.

2.2.1 Trends in Czech Republic

Due to the negative effects of the global financial crisis, the trend of positive retail value growth changed in 2009. Consumers paid increased attention to product pricing as well as quality and branding as a result of challenging economic situation. Thus, consumers reduce their spending on clothing and look for more affordable products.

The greatest decrease in spending was witnessed in retail outlets in small towns with fewer than 10,000 inhabitants. The number of clothing and footwear specialist retailer outlets decreased by 1% in 2009, to 13,157 outlets, due to the financial crisis which prompted consumers to reduce their spending on clothing and footwear. Clothing and footwear specialist retail outlets are among the outlets most frequently found in shopping centers. In 2009, there were over 600 clothing retailers, which operated approximately 2,000 outlets, which operated about 600 outlets in shopping centers. (Euromonitor, Clothing and Footwear specialist retailers in Czech Republic, 2010).

2.2.2 Market value

The Czech apparel retail industry grew by 0.1% in 2009 to reach a value of $ 2,330 million.

Table 1: Czech Republic apparel retail

Year	Czech Republic apparel retail industry value: CZK million, 2005 - 2009	
	CZK million	% Growth
2005	41,503.7	
2006	44,171.5	6.4
2007	45,782.3	3.6
2008	44,442.0	-3.0
2009	44,479.4	0.1
CAGR		1.7%

Source: Datamonitor, Apparel retail in Czech Republic, (2010)

Europe

Europe consists of Western Europe and Eastern Europe. Western Europe comprises Belgium, Denmark, France, Germany, Italy, Netherlands, Norway, Spain, Sweden, and United Kingdom. Eastern Europe comprises the Czech Republic, Hungary, Poland, Romania, Russia and Ukraine.

Table 2: Europe apparel retail industry value

Year	Europe apparel retail industry value 2005 - 2009	
	EUR billion	% Growth
2005	257.8	
2006	269.9	4.7
2007	278.4	3.1
2008	275.2	-1.1
2009	276.3	0.4
CAGR:05-09		1.7

Source: Datamonitor, Apparel Retail in Europe (2010)

2.2.3 Western Europe Trends

According to Euromonitor (2010), Western Europeans required functionality and value over style. Growing number of consumers now prefer garments that are less expensive but satisfy customer needs, than fashion and comfort. UK retailers including Marks & Spencer, Primark, Debenhams and Asda, has seeing good sales because of this trend.

Aging population and growing number of working women influence sales in Western Europe. Several brands focused on clothing needs of older consumers, with convenience and comfort, while not ignoring fashion. As the number of older consumers grows, it is expected that more companies will enter this market segment. Increasing number of working women has had an impact on clothing and footwear design.

Table 3: Value Share by country in Western Europe 2008

	Value Share by country in Western Europe 2008
Italy	21 %
Germany	18 %
United Kingdom	17 %
France	13 %
Spain	7 %
Netherlands	4 %
Greece	3 %
Belgium	2 %

Source: Euromonitor, Clothing and footwear: Trends, Developments and Prospects (2008)

2.2.4 Eastern Europe Trends

In Eastern Europe, local companies focus on delivering fashion to the youth market. Despite foreign companies are competitive in the adult clothing, Russian domestic manufacturers and retailers hold the dominant position in the youth market.

International and domestic players are addressing demand by sports and creating numerous sportswear lines. For promotion sportswear lines, companies are often using famous sportsmen and sportswomen to help launch new products and to serve as brand spokesmen.

Many customers have become increasingly concerned about goods imported from China due to questionable quality. Numerous market players move their production facilities to low-cost countries. Most successful companies are still those who have focused on marketing and design.

Table 4: Market Value Share in Eastern Europe

Market Value Share in Eastern Europe by country 2008	
Russia	68,3 %
Poland	18,8 %
Others	10,7 %
Hungary	2,2 %

Source: Euromonitor, Clothing and footwear: Trends, Developments and Prospects (2008)

2.3 Competition

Table 5: Major Czech manufacturers and retailers

Company	Major Czech manufacturers and retailers				
	Year found	Street wear	Winter wear	International distribution	Web Page
Horsefeathers	1994	•	•	•	http://www.horsefeathers.cz
MeatFly	-	•	•	-	http://www.meatfly.cz
Funstorm	1994	•	•	•	http://www.funstorm.cz
Vehicle	1997	•	•	•	http://www.vehicle.cz
Salebra	1991	•	•	•	http://www.salebra.com
Represent	2000	•	•	-	http://www.represent.eu
Mill	1992	•	•	-	http://www.mill.cz
Peace	1996	•	-	-	http://www.peace.cz
X-ray	1993	•	-	-	http://www.xraywear.cz

Source: Author's research based on companies web pages (2010)

From Table 5 and companies web pages, author derived that those companies competing on Czech market has similar background. Author concluded, that those companies are nearly same in terms of product, promotion, price and placement, thus in all aspects of marketing mix. For customers with no experience in technical materials, only difference is in design.

Comparison of selected product is shown in Table 6. For purpose of this comparison, author used spring/summer jacket, which produces 7 from 10 companies.

Table 6: Price comparison of selected products

Company	Price comparison of selected products		
	Waterproof mm H2O	Breathable g/m2/24 h	Price CZK
Nugget	3000	3000	2366
Horsefeathers	2000	2000	2590
MeatFly	-	-	2190
Funstorm	-	-	2490
Vehicle	2000	2000	2390
Salebra	-	-	-
Represent	-	-	-
Mill	20,000	20,000	2640
Peace	-	-	-
X-ray	-	-	2290

Source: Author's research based on companies web pages (2010)

2.4 PEST analysis of CEE market

PEST analysis refers to political, economic, social and technological factors. PEST analysis can be used to help detect trends in the external environment that will ultimately find their way into the competitive environment (Henry, 2008, p.51).

From PEST analysis (Appendix 2), author concluded that: European market is large, but very assorted market. According to Henry (2008), multinational corporations operate across international borders, the stability of governments and political systems in those countries need to be taken into account. Markets more heavily dependent on older consumers did not see sales rise as significantly over 2004 – 2008, but proved to be more stable markets in 2009. However, markets where younger consumers (30-39 years), were the strongest part of the income. This age group is the most likely to enjoy high incomes combined with a high level of familiarity with technological products (Euromonitor, 2010).

Descending confidence between producers and consumers in the Euro zone, points to a further economic slowdown in the Euro zone, or even stagnation. However, this slowdown will put more pressure on evaluating efficiency worldwide and may speed the process of shifting production form Western Europe to CEE, where labour costs are below the European average (Erstebank, 2008). For detailed macroeconomic indicators see Appendix 3.

Technology is believed to be one of the major forces underpinning economic growth. An efficient technology transfer system would lead to an efficient use of resources (Cohen, 2004). During the period of post-socialist transformation, enterprises had to develop previously externalised functions like finance, marketing and R&D. However, being faced with a technology and a funding gap, they were able to integrate into the world economy only in an incomplete way by externalising undeveloped functions to foreign enterprises. The fact that most critical functions are under the control of foreign enterprises is both a strength and weakness in the current stage of industrial transformation in CEE (Radosevic, Sadowski, 2004).

2.5 Porter's Five Forces Analysis

Author's research based on Datamonitor, Apparel Retail in Czech Republic (2010), Datamonitor, Apparel Retail in Europe (2010), Datamonitor, Menswear in Czech Republic (2010),Datamonitor, Womenswear in Czech Republic (2010), Datamonitor, Textiles in Europe (2010), Euromonitor, Consumer Lifestyles in Czech Republic (2010), Euromonitor, Retailing in Czech Republic(2010), Euromonitor, Clothing and Footwear Specialist Retailers (2010).

Threat of new entrants

Barriers to entry are obstacles on the way of potential new entrant to enter the market and compete with the incumbents. The difficulties of entering a market can shelter the incumbents against new entrants (Levy, 2005).

In Czech Republic, apparel industry increased attractiveness to new entrants, due the growing levels in recent years. Entry into the industry does not demand large capital outlay. The large incumbents scale economies include the ability to build brands in multiple retail outlets and greater buying power when negotiating with suppliers. Negligible switching costs for consumers mean that they are free to transfer their custom to a new player. New entrants might face several other barriers. Launch a price war is a possibility, especially, where a new entrant moves into a more concentrated segment. The strong brand image of an organisation within a sector can be a major deterrent to organisation wishing to enter the sector (Ranchhod, 2004). Government regulations are moderate, but it is getting strict. According to Czech company (2008), found limited liability company lasts 15 days and costs EUR 1260 plus 19% VAT. Joint stock company lasts 25 days and costs EUR 2500 plus 19% VAT. Overall, there is a strong likelihood of significant new entrants to industry.

The European apparel industry has just recovered after the decline in value in 2008, which limits its attractiveness to new entrants. However, in some countries a few large corporations account for a major share of total industry revenues. Their scale economies include the ability to build brands in multiple retail outlets, and greater buying power when negotiating with suppliers. The emerging brand strength of the major chains is considerable, which may negate much of the effect of low switching costs.

Bargaining power of suppliers

Bargaining power is the ability to influence the setting of prices. The more concentrated and controlled the supply, the more power it wields against the market (Levy, 2005).

As international trade liberalizes, supplier power in Czech Republic industry is decreased through competition from manufacturers in low-wage regions, most notably China. Switching cost are not very high: they include the risk that choosing a low-cost supplier involves a more extended supply chain that may not be able to cope with sudden changes in demand in industry susceptible to changes in fashion. Suppliers are further weakened by their lack of diversity. Supplier's actions can also reduce the ability of firms to earn profits while competing in an industry. If supplier can either increase the price of its product or reduce the quality while selling it at the same price, the effect on established firm's profitability is negative. A supplier that can do one of these things is said to be powerful supplier (Ireland, Hoskisson, Hitt, 2006). Overall, there is low to moderate supplier power in industry.

In Europe, wholesale and clothing manufacturing sectors in most countries are fairly fragmented. Although clothing manufacturing remains a significant part of total manufacturing in certain developed economies the ability of retailers in a given country to source from foreign manufacturers means that the effective supplier fragmentation is made greater. As international trade liberalizes, supplier power in the European industry is decreased the same way as in Czech Republic.

Bargaining power of buyer

Bargaining power is the ability to influence the setting of prices (Levy, 2005).

Buyers are individual consumers and this fact weakens buyer negotiation power. Manufacturers and retailers can differentiate themselves quite strongly through the styles of clothing that they offer. Customers uses different style of clothing as an expression of personality and therefore it is highly individualized, which weakens buyer power. However, buyers have negligible switching costs and, where brand loyalty exists; it is more likely to be the designer than the retailer, although this is usually towards the top end of the industry. With several well established brands on the market, little percentage of buyers is loyal to a favorite trade mark. Buyer's can switch to another seller's product with few switching costs. (Ireland, Hoskisson, Hitt, 2006).

In industry is increasingly growing demand for discount apparel retail with stores providing, low-cost mass consumer apparel. Here, the retailers' strategy is to recognize the price sensitivity of their target customer segment, and compete intensely on price, selling clothes as cheaply as possible. Brand loyalty is associated with the retailer, and switching costs are low, strengthening buyer power to an extent. Products in this industry are determined by designers or sub-cultures are subject to sharp and unpredictable changes. This can offer a competitive advantage to those retailers that can source fashionable merchandise quickly, thereby differentiating them and weakening buyer power. Overall buyer power is assessed as low to moderate.

Threat of substitutes

On a free market, buyers have the choice if there is a viable alternative. The exactly same product is sourced by two or more distributors. Full substitute products are products from different manufacturers that fulfill the exact same purpose (Levy, 2005).

Clothing has more functions than just keeping the wearer warm, but it also acts as a signifier of socio-economic class and a way of displaying individual identity. Most consumers are offered with a diverse range of products that allows them to fulfill these various needs. This makes some alternatives less beneficial from the buyers' perspective. Substitutes for apparel include buying directly from manufacturers, which is facilitated by the growth of online sales. Home-made and custom-made clothing are also niche alternatives to retail of ready-made clothes. Counterfeit clothing can be a significant threat to revenues in some countries. Overall the threat of substitutes to the apparel retail industry is assessed as weak.

The European apparel industry is moderately concentrated with larger companies having increased their industry share at the expense of independent outlets.

Competitive rivalry within the industry

Competitive rivalry is the set of actions and reactions between competitors as they compete for an advantageous market position. It is likely to be based on dimensions such as price, quality and innovation. Industries with many companies that have successfully differentiated their products have less rivalry, resulting in lower competitions for individual firms and less of a negative effect on the industry's profitability potential (Ireland, Hoskisson, Hitt, 2006).

The Czech Republic apparel industry is fragmented. There is room for large numbers of smaller players in this industry. Major increases in capacity may be fairly costly to smaller players, if they require the outlay of opening additional outlets, less so if they can be accomplished by taking on more staff on a flexible basis. While some retailers selling apparel are highly diverse, many retain a strong emphasis on clothing, which intensifies rivalry.

Author sees the consumer electronics industry fulfill with number of well established companies. Distinction between products is mostly in design and price and quality of products become very similar, frequently different in characteristic details.

Industry often behaves such as airline industry. When one airline lowers its prices in a market, that action is likely to affect a competitor's business in that market. So the tactical action of reducing prices by one airline invites a competitive response by one or more of its competitors (Ireland, Hoskisson, Hitt, 2006). Overall, the competitive rivalry within the industry is assessed as moderate.

2.6 Key success factors

An important output of market analysis is the identification of key success factors. These are assets and competencies that provide the basis for competing successfully. The points to consider are which are the most critical assets and competencies now and, more importantly, which will be most critical in the future (McLoughlin and Aaker, 2010).

From the market overview and Porter's Five Forces Analysis of apparel industry, author derived these key success factors:

- Product innovation
- Product portfolio
- Continuous improvement
- Quality requirements
- Design

According to Rainey (2005), leading change through innovation is about creating a better world with products and technologies that people can trust and that have positive impacts on the business environment. The general solution includes better products and more-effective processes.

An extensive product portfolio signifies that a business has a presence in a wide range of product and market sectors. Broad product portfolio offers the advantage of robustness in that a downturn in one market will not threaten the whole company. Against this advantage is the problem of managing business interests that may be very different in nature and the company may be said to lack strategic focus (Campbell, Stonehouse, Houston, 2002).

Author claims, that companies in apparel industry must provide broad product portfolio to customers. Thereafter, customers can procure another product of the same brand.

While the mass producer achieves efficiency by isolating innovation from the concerns of the workforce, the continuous improvement design achieves efficiency by making innovation everyone's concern. The prototypical continuous improvement design users have been such Japanese manufacturers as Toyota. This design has produced relatively standard products through constant enhancement of the processes of these manufacturers to achieve higher quality, lower costs, faster cycle time, fewer inventories, and greater innovation (Mintzberg, Ghoshal, 2003).

Quality programmes have a strong association with strategic change due to the fact that many companies adopt quality management programmes at times of crisis or due to institutional pressures from customers, competition, governmental regulations. This factor requires, that the organisation makes quality a long-term objective, allocates appropriate resources for its achievement and institutes control and evaluation procedures to review its progress (Kelemen, 2003).

2.7 SWOT analysis

Source: Author's research based on Euromonitor (2010), OECD (2010), Datamonitor (2010).

Strengths:

Product portfolio

According to Ferrell and Hartline (2008), a firm's product portfolio must be carefully managed to reflect changes in customer's preferences and the introduction of competitive products.

Most of the products are introduced in Company characteristic section. Basic structure of product portfolio consists of two sections, Outerwear systems and Clothing systems. Each section consists of 12 products, which has been usually changed every year in design. Every product has 3 different design styles, which customer can choose from. Around 80 per cent of production is made in Far East and the main focus is based on quality of every single piece. Small manufactory is held in Czech Republic, and provides flexibility of customer needs.

Czech Republic distribution

Nugget maintains strong position in Czech stores. According to company's web pages, Nugget has around 170 dealerships in Czech Republic. In Brno, Nugget owns two stores, with majority of own products.

Nugget uses one-tier distribution structure. According to Dent (2008), this structure uses intermediaries between company and customers to increase reach and provide special services to complete the customer offer. The benefits include easy access to well-defined segments of customers. Disadvantages include the need to grant an acceptable trading margin to the intermediary and a degree of dilution of focus because the intermediary sells many brands, including direct competitors.

Design and product innovation

Nugget keeps stable and creative team of fashion designers, which produces new designs and product innovation. This team cooperates with team riders, which are mostly testing new products and innovations, such as functionality.

Chitale and Gupta (2007) pointed out, that error made by producer in product production may lead to its rejection. But an error in design, which will be repeated in all products, may lead to an economic misadventure of enormous proportions. The designer's responsibility is therefore serious.

Brand recognition in Czech Republic

Through sponsoring well recognized athletes and events in Czech Republic, Nugget systematically build strong brand recognition. Strong brand image favors repeat customers and better acceptance of new product launches.

Weaknesses

Declining cash from operations

Mulford and Comiskey (2005) pointed out, that seasonal factors may cause cash flow to lag earnings as actions are taken to build stocks in anticipation of increased demand. Due to declining sales during the early stages of a downturn, a cyclical company may see operating cash flow decline as inventory levels grow before cuts in production can be made. Such decrease cash from operations would have adverse effect on the financial flexibility to the company in meeting its operational requirements.

Product differentiation

According to Ranchhod (2004), organisations often use product differentiation to create a distinctive image for their products. In luxury goods markets such as perfumes or designer clothes, differentiation offers certain segments of consumers a specific image and they are then unwilling to purchase different products even if the price differential is slightly higher or lower.

From the product comparison made in section Competition, author derived, that all products are highly similar, usually vary only in design and colors.

Seasonality factor

Company is affected by the general seasonal trends common to the outdoor apparel industry. The products are marketed on a seasonal basis, with a product mix weighted substantially toward the fall season. Product sales are subject to substantial cyclical fluctuations and are affected by unseasonal weather conditions (Datamonitor, Columbia Sportswear Company, 2010).

Opportunities

Products demand in CEE countries

From market overview and PEST analysis, author derived that CEE countries should be profitable markets, with lower national competition. These states have similar culture and behavior. These factors are important and Nugget can use similar strategies and products without significant change.

Market demand for new products

One of the key issues in product strategy deals with the introduction of new products. The development and commercialization of new products is a vital part of a firm's efforts to sustain growth and profits over time. The success of new products depends on the products fit with the firm's strengths and a defined market opportunity. Market characteristics and the competitive situation will also affect the sales potential of new products (Ferrel, Hartline, 2008).

Accessibility of new promotional solutions

The company should enter into promotional agreement with company with promotional interest in industry, such as Columbia Sportswear and Jeep. Columbia entered into agreement with Jeep to provide broad brand exposure in the US and Canada. As a result of the agreement, company is receiving national media exposure, expanding Columbia's brand awareness and Columbia Edition vehicles are selling ahead of Jeeps forecasts (Datamonitor, Columbia Sportswear Company, 2010).

Threats

Economic slowdown

After several years of strong growth, the Czech economy slowed markedly in 2008, entering a sharp recession in the fourth quarter. The second quarter of 2009 witnessed a return to growth, but the recovery remained weak and apparently fragile in subsequent quarters and is subject to significant downside risks. The consequences of the recession for employment, living standards and public finances are still unfolding. The policy response to the crisis encompassed fiscal, monetary and structural measures, but was complicated at key points by domestic political developments (OECD, 2010).

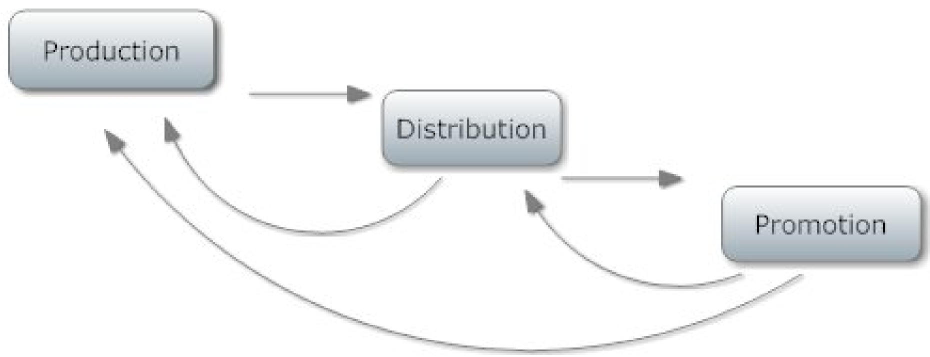
Intense competition

Nugget Company encounters intense competitions in the outerwear and sportswear industry. Mainly from national manufacturers and retailers such as Horsefeathers, Vehicle, Funstorm etc., but also from global players such as Billabong, Burton, Quicksilver etc. In addition, major sport companies such as Nike and Adidas-Salomon entered this industry.

According to Burrow and Bosiljevac (2008), businesses facing intense competition responded by emphasizing price or promotion. When they found that customers saw no important difference among competing products, they believed they had to reduce prices to make a sale. Companies that emphasized promotion tried to convince customers that their products were better than those of competitors. Companies that face intense competition need to examine their marketing mix with careful study of consumer needs.

3. Propositions

From market overview, PEST analysis, Porters five forces and SWOT analysis, author derived propositions for 3 segments of marketing mix. However, several propositions include price.



3.1 Production

3.1.1 Product portfolio extension

Product portfolio extension was identified as an opportunity in SWOT analysis, and author suggest, that it should be a key factor in defining new marketing strategy. With intense competition with very similar products, Nugget should detect a niche in the market or focus on another market segment.

With products mainly determined for action sports such as snowboarding, skateboarding, bike and similar sports, author suggest, that water sports should be a vital part of a product portfolio extension. Water sports are providing wide variety of activities such as surfing, kiteboarding, windsurfing, wakeboarding, waterskiing, kayaking etc. These groups of sports providing wide sports segment extension. To access this market segment, Nugget should prepare a new product line.

According to Armstrong et. al (2009), a product line consists of products that are closely related because they function in a similar manner are sold to the same customer groups. Product line length is influenced by objectives and resources.

Author recommends that objectives should be implant into Nugget strategy. With a company's production based on clothing and accessories, Nugget should keep this focus and outline new product line for water sports, consists of wetsuits, board shorts, and Lycra (stretch fiber) T-shirts with long a short sleeves.

Developing new products internally and successfully introducing them into the market place often requires significant investment of firm's resources, including time, making it difficult to quickly earn a profitable return (Hitt, Ireland, Hoskisson, 2009). With company's internal weaknesses and external threats, developing new product or product line, required high financial and time investment.

Thus, author recommends 3 options:

- acquisition of selected company
- product distribution
- strategic alliance

Acquisition

With acquisitions, firm can use to gain access to new products and to current products that are new to the firm. Compared with internal product development processes, acquisitions provide more predictable returns as well as faster market entry. Returns are more predictable because the performance of the acquired firm's products can be assessed prior to completing the acquisition (Hitt, Ireland, Hoskisson, 2009). Therefore, Nugget should detect a firm for this purpose.

For the purpose of acquisition, author considers Agama Company. This company is well established on a Czech market and operating since 1991. Agama represents traditional Czech manufacturer of wet suits and water sports equipment. Company's product portfolio provides broad spectrum of wet suits and Lycra T-shirts for water sports such as diving, kayaking, kitesurfing, windsurfing, freediving etc. Agama Company also provides a good after sales products service. With headquarters based in Zlín, it is about 100 kilometers far from Brno.

Reasons for Agama acquisitions:

- Price
- Quick market entry
- Quality products
- After sales service

Besides quick entry into new product markets compared with internal product development, acquisitions often represent the fastest means to enter new markets and help firms overcome the liabilities associated with such strategic moves. Acquisitions provide rapid access both to new markets and to new capabilities (Hitt, Ireland, Hoskisson, 2009).

Main reason for choosing Agama Company is product price. As shown in Table 7, Agama produce wet suits for almost half price than international producers on a Czech market.

Table 7: Wetsuits comparison

Producer	Wetsuits comparison			
	Model	Neoprene thick mm	Price CZK	Source
Agama	Evolution	3	2290	www.agama-diving.cz
ION	Element	4/3	4400	www.snowboardel.cz
Prolimit	Global	4/3	4800	www.snowboardel.cz
Body Glove	Method	4/3	3700	www.bodyglove-neopreny.cz
Gul	Response	3	2482	www.kiteboarding.cz
Gaastra	Manic	4/3	5700	www.konig.cz

Source: Authors research based on on-line stores (2010).

With Agama acquisition, Nugget will extend product portfolio of water sports segment. Agama has quality products and with Nugget design team, these products should become very attractive.

Reasons against acquisition:

- High investment
- Agama might not be for sale
- Some products are not favourable

One of the weaknesses identified in SWOT analysis is declining cash from operations. Therefore, Nugget might not find enough funds for acquisition.

Table 8 – Estimated acquisition budget for short term period

	Acquisition budget: CZK thousand				
	1Q	2Q	3Q	4Q	TOTAL
Costs:					
Acquisition	5000				5000
Labor	225	225	225	225	900
Telecommunications	4	4	4	4	16
Travelling	5	5	5	5	20
Marketing campaign	30	30	25	20	105
TOTAL COSTS	5 264	264	259	254	6041
Revenues:					
Gross margin from product sales	200	250	300	200	950
Gross Margin from services sales	50	70	90	50	200
TOTAL GROSS MARGIN	250	320	390	250	1150
Gross Profit	- 5014	56	131	- 4	- 4891

For short term period of one year, estimation budget indicate requirement of funding in extent of almost 5 million CZK. Estimated budget not concluded strategy changes, such as product portfolio change, personnel change and productivity.

Table 9 – Estimated acquisition budget for 3 years

	Acquisition budget: CZK thousand			
	1 Year	2 Year	3 Year	TOTAL
Costs:				
Labor	900	900	900	2700
Technology needed	0	0	50	50
Telecommunications	16	16	16	48
Travelling	20	20	20	60
Marketing campaign	105	80	70	255
TOTAL COSTS	1041	1016	1056	3113
Revenues:				
Gross margin from product sales	950	1050	1150	3150
Gross Margin from services sales	200	250	300	750
TOTAL GROSS MARGIN	1150	1300	1450	3900
Gross Profit	109	284	394	787

Estimated budget for acquisition purposes does not contain acquisition of company. However, in 3 year period, Table 9 shows growing profit, mainly based on product innovation and extended market segments.

Price of the Agama Company should vary, depends on company's internal financials and owners willingness to sell. With acquisition, company's product portfolio should be reduced, according to Nugget strategy and favoured market segments.

Product distribution

To access new market segments, Nugget should also consider product distribution under established trademark.

Reasons for product distribution:

- Trademark recognition
- Low investment

On international markets operates several companies, which will fit purpose criteria, and has no dealership in Czech Republic. With an agreement on product distribution, Nugget will achieve established products or products portfolio with international recognition. These products appear high quality and required low investment.

Reasons against product distribution:

- Different trademark
- Different strategy
- Possible expensive products
- Dependent on companies product development

With a different trademark, Nugget looses option to extend own trademark and brand recognition to another market segments. Product distribution provides little promotion self-reliance.

Strategy of producer might be based on different mission and vision. Therefore, this could limitated Nugget marketing strategy and brand development.

As shown in Table 7, products of international firms are evidently higher than prices set by Czech producer. Customers might perceived products as expensive, thus sales will indicate low profit. Kapferer (2008) stressed out, that price is and indication of quality, and can on its own create the image of a product with a high standing. However, due to the economic slowdown, customers are willing to pay the price that satisfies their financial budget.

Product development is essential part of company growth. With no possible impact on products development or design, Nugget must have accepted products in other company's portfolio.

Table 10 - Estimated product distribution budget for short term period

	Product distribution budget: CZK thousand				
	1Q	2Q	3Q	4Q	TOTAL
Costs:					
Labor	20	20	20	20	80
Technology needed	0	0	0	0	0
Telecommunications	7	6	5	5	23
Travelling	15	12	8	7	42
Marketing campaign	30	20	20	20	90
TOTAL COSTS	72	58	53	52	235
Revenues:					
Gross margin from product sales	50	70	60	45	220
Gross Margin from services sales	10	10	10	10	40
TOTAL GROSS MARGIN	60	80	70	55	265
Gross Profit	- 12	22	17	3	30

With product distribution, Nugget will enter new market segments. However, as shown in Table 10 and 11, this market entry under products distribution, will provide limited profitability.

Table 11 - Estimated product distribution budget for 3 year period

	Product distribution budget: CZK thousand			
	1 Year	2 Year	3 Year	TOTAL
Costs:				
Labor	80	80	80	240
Technology needed	0	0	0	0
Telecommunications	23	20	18	61
Travelling	42	30	25	97
Marketing campaign	90	80	70	240
TOTAL COSTS	235	210	193	638
Revenues:				
Gross margin from product sales	220	240	250	710
Gross Margin from services sales	40	45	50	135
TOTAL GROSS MARGIN	260	285	300	845
Gross Profit	25	75	107	207

Strategic alliance

By forming an alliance with a company that is already active in a market that you have targeted, firm can shorten entry time into that arena and use benefit of your partner (Wallace, 2004).

For purpose of strategic alliance, author suggests Agama Company. The reasons for this company are emphasised in acquisition part.

Reasons for strategic alliance:

- Co-operation
- Acceptable investment
- Selected products

Co-operation between two companies required detailed agreement and set goals. Companies will bring together technology development on one side and progressive designer team on another side.

Investment in strategic alliance should be acceptable from both sides, as well as prospective profit.

In strategic alliance, companies should decide only on products, which are suitable for Nugget product portfolio extension, such as wet suits and Lycra T-shirts for selected water sports.

Reasons against strategic alliance:

- Ability to fulfill promise
- Different vision

After the long period spent on detecting the proper partner for strategic alliance and co-operation, company might discover, that partner has low ability to fulfill promises given on purpose of strategic alliance and therefore, this alliance has no sense.

Companies entering strategic alliance must make sure, that their vision about this alliance has same objectives and are interested to fulfill them.

Table 12 - Estimated strategic alliance budget for short term period

	Strategic alliance budget: CZK thousand				
	1Q	2Q	3Q	4Q	TOTAL
Costs:					
Labor	80	50	40	40	210
Technology needed	20	5	5	5	35
Telecommunications	10	8	8	8	34
Travelling	10	10	10	10	40
Marketing campaign	30	50	50	20	150
TOTAL COSTS	150	123	113	83	469
Revenues:					
Gross margin from product sales	200	250	300	200	950
Gross Margin from services sales	50	70	90	50	260
TOTAL GROSS MARGIN	250	320	390	250	1210
Gross Profit	100	197	277	167	741

With a well prepared production under the terms of agreement, strategic alliance should be profitable.

Table 13 - Estimated strategic alliance budget for 3 year period

	Strategic alliance budget: CZK thousand			
	1 Year	2 Year	3 Year	TOTAL
Costs:				
Labor	210	210	210	630
Technology needed	35	20	20	75
Telecommunications	34	30	25	89
Travelling	40	40	40	120
Marketing campaign	150	100	90	340
TOTAL COSTS	469	400	385	1254
Revenues:				
Gross margin from product sales	950	1000	1050	3000
Gross Margin from services sales	260	270	280	810
TOTAL GROSS MARGIN	1210	1270	1330	3810
Gross Profit	741	870	945	2556

Product portfolio extension conclusion

Some of water sports are well established in Czech Republic, such as kayaking, diving and windsurfing. But several new water sports are gaining popularity, such as surfing, wakeboarding and kitesurfing.

Nugget has already sponsoring 3 athletes from this segment of market and author suggests that this product extension should be a missing part of a product portfolio.

Comparing three possible options for entering new market segment, author recommends strategic alliance, mainly because of low entry investment and acceptable market entry.

Nugget can also prepare agreement on purchasing products from selected company. However, this step might be easily copied by competitors and therefore, Nugget will lose competitive advantage in market segment of water sports.

3.1.2 Low-cost product line

Economic slowdown and intense competition has changed customer's needs and behavior. Customers became highly oriented and sensitive on price and are able to purchase products mostly in sale. Author suggests that Nugget should develop and introduce new product line based mainly on price.

Armstrong et. al (2009) pointed out, that company might introduce line extensions as a low-cost, low-risk way to introduce new products. Or it might want to meet consumer desires for variety, to use excess capacity, or simply to command more shelf space from resellers.

Nugget should consider to produce this line under the Nugget trademark or to develop new trademark for this purpose. With a new trademark, Nugget will achieve a variety of options.

Main advantage of new trademark is that if the new product line will remain non-profit, Nugget can stop production without any affect on Nugget trademark. For example, Burton introduced several trademarks, which some of them produce similar products as Burton, such as B by Burton, AK, Red, Anon etc. None of these created products carry the Burton label and logo, but their products are included prominently in Burton catalogue and website.

The new product line should use same pattern as current products, but include only simple design with a trademark logo.

To launch new product line based on price competition, products must be produces in countries, which can offer the lowest price possible. Most of these countries are situated in Asia.

Author recommends that with product line based on price, Nugget should focus mainly on street wear. In promotion campaign, company must convince customers, that this product line still encompass high quality demand, and is based on simplicity.

Product line based on price and simplicity might attract new segment of customers, which perceived current products as very attractive, but with price inaccessibility.

Table 14 - Estimated low cost product line budget for short term period

	Low cost product line budget: CZK thousand				
	1Q	2Q	3Q	4Q	TOTAL
Costs:					
Labor	200	200	0	0	400
Technology needed	40	20	0	0	60
Telecommunications	20	20	0	0	40
Travelling	30	30	0	0	60
Marketing campaign	50	50	50	50	200
TOTAL COSTS	340	320	50	50	760
Revenues:					
Gross margin from product sales	150	200	260	300	910
Gross Margin from services sales	30	40	40	40	150
TOTAL GROSS MARGIN	180	240	300	340	1060
Gross Profit	- 160	- 80	250	290	300

To achieve low cost expanses, Nugget should try to reduce production time. As shown in table 14, production is estimated in only 2 quarters. Author suggests, that with production shifting to Far East or to Asia, production expanses should be lowered to minimum.

Table 15 - Estimated low cost product line budget for 3 year

	Low cost product line budget: CZK thousand			
	1 Year	2 Year	3 Year	TOTAL
Costs:				
Labor	400	400	400	1200
Technology needed	60	40	40	140
Telecommunications	40	40	40	120
Travelling	60	40	40	140
Marketing campaign	200	150	100	450
TOTAL COSTS	760	670	620	2050
Revenues:				
Gross margin from product sales	910	1020	1080	3010
Gross Margin from services sales	150	150	150	450
TOTAL GROSS MARGIN	1060	1170	1230	3460
Gross Profit	300	500	610	1410

Estimated budget for 3 year period provide profitability. With profit from one product line, Nugget should be able to consider low cost product line extension, or investment in another market segments.

3.1.3 Product samples

Product samples should be produced for brand promotion purpose. Nugget should consider one or two items, which will fulfill product samples expectations. Author suggests choosing only one product, which is considered to have best performance, mainly in visibility such as T-shirt.

For the promotion purpose, this product should include exclusive design and fill up the promotion requirements.

Author also suggests, producing sample products only in one time period, which will request well paced appraisal. To cut production costs, Nugget should also comprehend a production plan for medium term period.

Table 16 - Estimated product samples budget for short term period

	Product samples: CZK thousand				
	1Q	2Q	3Q	4Q	TOTAL
Costs:					
Labor	80	0	0	0	80
Technology needed	40	0	0	0	40
Telecommunications	15	0	0	0	15
Travelling	10	0	0	0	10
Marketing campaign	5	5	5	5	20
TOTAL COSTS	150	5	5	5	165
Revenues:					
Gross margin from product sales	0	0	0	0	0
Gross Margin from services sales	0	0	0	0	0
TOTAL GROSS MARGIN	0	0	0	0	0
Gross Profit	- 150	- 5	- 5	- 5	- 165

Estimated budget for short term period include one time production for medium term usage. This investment should be lowered, with including product samples production with another product line production. Therefore, costs such as telecommunications and travelling should be shared. However, product samples are designed for promotional activities, thus, it will provide no profit.

3.2 Distribution

Nugget has 11 international dealers, which are situated mainly in Europe, but also in Japan or South Korea. Nugget developed dealership mainly on ISPO, which are the international sports business network based in Munich, Germany. ISPO is probably the world largest sporting goods tradeshow, with almost 2000 exhibitors and 60,000 attendees.

However, Nugget should consider developing distribution strategy with focus on CEE countries. As shown in Table 4, Russia, Poland and Hungary provides almost 90 % market value share in CEE market. Market size of these countries should provide enough space for distribution.

Dealerships are already established in Poland, Slovakia and Ukraine. Therefore, Nugget should improve this dealership or achieve more dealers in given country on purpose to increase market share and trademark recognition.

Distribution strategy should be applied and implemented in other countries in CEE. Specific strategy of distribution will probably require Russian market, because of it size and large population.

Nugget should actively detect possible companies or current distribution company to enter other markets in CEE countries. This will require market research and selecting process.

3.3 Promotion

Nugget is focused on customers from market segments in which are operating. This market segments consists mainly of adrenalin sports such as snowboarding, skateboarding, bike etc. For purpose of product promotion, Nugget sponsoring athletes which some of them are best Czech athletes in those sports. These athletes promote Nugget on Czech and international competitions.

3.3.1 Promotion strategic alliance

Because of declining cash from operations identified in SWOT analysis, Nugget should consider to find strategic partner for promotion. In strategic alliance, Nugget should be able to promote products in wider project scale and become active in other market segments.

This strategic alliance should be based on target markets promotion. This alliance can focus on national or international concept. However, Czech market is still major for Nugget, thus Nugget should focus on alliance with company operating on Czech market.

To detect correct company for strategic alliance purpose, author recommends focusing on companies closely related to industry, such as sporting goods producer or distributor. These companies share or have similar objectives focusing on product promotion.
Most of the athletes, sponsored by Nugget, have another sponsor from sporting goods industry. Therefore, companies might find same objectives in promotion.

Another opportunity for strategic partner is producers of energy drinks. These producers based their promotion strategies frequently on adrenalin sports. And with intensified competition in energy drinks industry, producers are looking for new promotion opportunities.

3.3.2 Internet promotion

Internet promotion is well established in Nugget marketing strategy. It earns a strategic focus in front of print media. Hence, Nugget should focus more on internet product promotion.

High-tech and more traditional companies alike are increasing the percentage of their advertising and promotion expenditures spent on new media, a term that refers to technology-enabled advertising and promotion tools, typically via the Internet. Display ads, branded sponsorships, classifieds, search ads etc. are all cost-efficient. Internet based tools that can complement many traditional advertising and promotion tools (Mohr, Sengupta, Slater, 2009)

Author suggests that expenses on printed catalogue should be reduced to minimum, with focus on targeted customers. Thus, Nugget should improved company's web pages, mainly on-line catalogue.

With design and product innovation identified as strength in SWOT analysis, Nugget should focus on developing on-line interactive catalogue. Products should be presented in detailed version, with certain customer freedom to look on detail which is interested in. This will require 3 dimensional product presentations.
Some of the customers also are likely to combine products or color versions of product. Therefore, on-line catalogue should include possibility, to compare products from each section or to compare color versions.

Sponsored athletes are part of a marketing strategy. Nugget produce varieties of products, which sponsored athletes, can choose from. Thus, author recommends, to assign every athlete specific products. For example, one snowboarder will get only products from one product line. Then, photography and videos determined for promotion will be used in co-operation with on-line catalogue. Therefore, customers might associate specific athlete with specific product line.

3.3.3 Promotion extension

Nugget is mainly focused on product promotion in 4 segments, which consists of 3 adrenalin sports (snowboard, skateboard, and bike) and supporting music crews. In adrenalin sports, promotion encompasses sponsoring of athletes and competition.

However, Czech market consists of several action sports, which gaining market popularity. Thus, Nugget should consider attracting customers from these segments of market by product promotion.

Entering new market segments for promotion purposes, Nugget should prepare a marketing strategy based on new market segments. These segments are highly similar; therefore, it is also possible to use established strategy.

Author recommends that Nugget should follow established strategy and derived which segments to enter. Than, detect athletes which will fulfill promotion purposes. Contests are usually based on championship concept. Nugget should either sponsored whole championship as a major sponsor or chooses only the most attractive contests.

Adrenalin sports provide broad spectrum of championships or contests, that some of them are famous and popular and attracting high number of spectators, possible customers.

Conclusion

Global financial crisis affected almost every country on the world. Europe witnessed several changes due to this situation and the nature of business environment has changed.

Europe consumers increased their focus to product pricing as well as quality of products as a result of challenging economic situation. Therefore, financial crisis highly affected consumers spending on products and pushed producers to provide more affordable products.

Marketing strategy is believed to be significant part of companies' strategy. Marketing strategy is not unified process, which can be implemented in one existing form to every company, but is very different in each company adopting. Marketing strategy has the same basis, but company must decide how to use and implement this strategy.

Marketing strategy is highly creative and requires innovative thinking. Only creativity and innovation can push company forward.

However, marketing strategy is often neglected and therefore companies usually missing strategic focus and often failed in fulfilling customer needs.

Nugget Company is well established on Czech market and is becoming recognised in countries surrounding Czech Republic. Nugget has been on Czech market for ten years, and it required a well established marketing strategy and strategic focus to earn market position established on high quality products.

Marketing strategy in Nugget Company is well situated and focuses on fulfilling customers needs with accomplishing company's mission and vision.

Therefore, author analyzed current marketing strategy which considers as appropriate and propone propositions, which can hopefully be accepted by company and implemented in current marketing strategy.

Author mainly recommends focusing on product portfolio extension with appropriate products selection and focusing on product price, which is perceived to become highly important. Thus, international distribution might become an active focus in marketing strategy.

References

1) *Agama.* [Online] 2010. [cit. 2010-08-05]. Available at: <www.agama-diving.cz>.

2) ARMSTRONG, Gary., HARKER Michael., KOTLER, Philip., BRENNAN, Ross. *Marketing: An Introduction.* 1st edition. Essex, UK: Pearson Education, 2009. 648 p. ISBN 978-0-273-71395-1.

3) BÁRTA, V., BÁRTOVÁ, H. *Marketingový výzkum trhu.* 1st edition. Praha, Czech Republic: Economia, 1991. 107 p. ISBN 80-85378-09-4.

4) BEAMISH, Karen., ASHFORD, Ruth. *Marketing planning 2007-2008.* 1st edition. Oxford,UK: Butterworth-Heinemann, 2007. 402 p. ISBN 978-0-7506-8404-0.

5) BENETT, Roger., BLYTHE, Jim. *International marketing: strategy planning, market entry & implementation.* 3rd edition. London, UK: Kogan Page Limited, 2002. 362 p. ISBN 0-7494-3808-8.

6) *Body glove.* [Online] 2010. [cit. 2010-08-02]. Available at: <www.bodyglove-neopreny.cz>.

7) BOUČKOVÁ, J. a kol. *Marketing.* 1st edition. Praha, Czech Republic: Beck, 2003. 432 p. ISBN 80-7179-577-1.

8) BURROW, James L., BOSILJEVAC, Jim. *Marketing.* 3rd edition. Mason, U.S.A.: Cengage Learning, 2008. 698 p. ISBN. 978-0-538-44664-8.

9) CAMPBELL, D., STONEHOUSE, G., HOUSTON, B. *Business Strategy: an Introduction*. 2nd edition. Oxford, UK: Keyword Typesetting Services Ltd., 2002. 478 p. ISBN 0-7506-5569-0.

10) CHITALE, A.K., GUPTA, R.C. *Product Design and Manufacturing.* 4th edition.

New Delhi, India: PHI Learning Pvt. Ltd., 2007. 488 p. ISBN 978-81-203-3317-8.

11) COHEN, G. *Technology Transfer: Strategic Management in Developing Countries*. 1st edition. New Delhi, India: Sage Publications India Pvt. Ltd., 2004. 336 p. ISBN 0-7619-9770-9

12) DACKO, Scott G. *The advanced dictionary of marketing: putting theory to use.* 1st edition. Oxford, UK: Oxford University Press, 2008. 601 p. ISBN 978-0-19-928599-0.

13) *Datamonitor the home of Business Information.* [Online] 2010. [cit. 2010-08-01]. Available at: <www.datamonitor.com>.

14) DENT, Julian. *Distribution Channels.* 1st edition. Philadelphia, U.S.A.: Kogan Page Publishers, 2008. 322 p. ISBN 978-0-7494-5256-8.

15) *Erste Group analysts: CEE economic growth to decelerate in 2009, but no recession in sight.* Erste Group. [Online] 2008. [cit. 2010-05/27] Available at: <http://www.erstebank.hu/file/20081015_How_economic_downturn_in_Eurozone_affects_CEE__EN.pdf>.

16) *Euromonitor International.* [Online] 2010. [cit. 2010-08-01]. Available at: <www.euromonitor.com>.

17) FERRELL, O.C., HARTLINE, Michael D. *Marketing Strategy.* 4th edition. Mason, U.S.A.: Cengage Learning, 2008. 717 p. ISBN 978-0-324-36272-5.

18) FORET, M., STÁVKOVÁ, J. *Marketingový výzkum - Jak poznávat své zákazníky.* 1st edition. Praha, Czech Republic: Grada Publishing, 2003. 159 p. ISBN 80-247-0385-8.

19) *Foundation of a corporation.* Czech Company. [Online] 2008. [cit. 2010-05-19]. Available at: <http://www.czechcompany.cz/index.php?page=foundation-of-a-corporation>

20) *Funstorm.* [Online] 2010. [cit. 2010-08-07]. Available at: <www.funstorm.cz>

21) GREGORY, Anne. *Planning and managing public relations campaigns.* 2nd edtion. London, UK: Kogan Page Limited, 2000. 184 p. ISBN 0-7494-2991-7.

22) HENRY, Anthony. *Understanding Strategic Management.* 1st edition. Oxford, UK: Oxford University Press, 2008. 384 p. ISBN 978-0-19-928830-4.

23) *Horsefeathers.* [Online] 2010. [cit. 2010-08-07]. Available at: <www.horsefeathers.cz>.

24) HILL, Charles., JONES, Jones. *Strategic Management Theory: An Integrated Approach.* 9th edition. Mason, U.S.A.: Cengage Learning, 2009. 528 p. ISBN 978-0-538-75107-0.

25) HITT, Michael A., IRELAND, R.Duane., HOSKINSSON, Robert E. *Strategic management: competitiveness and globalization: concepts & cases.* 8th edition. Mason, U.S.A.: Cengage Learning, 2009. 387 p. ISBN 0-324-58112-2.

26) HOOLEY, Graham J., SAUNDERS, John A., PIERCY, Nigel F., NICOULAUD, Brigitte. *Marketing Strategy and Competitive Positioning.* 4th edition. Essex, UK: Pearson Education, 2008. 614 p. ISBN 978-0-273-70697-7.

27) IRELAND, R.Duane., HOSKISSON, Robert E., HITT, Michael A. *Understanding Business Strategy: Concepts and Cases*. 2nd edition. Mason, U.S.A.: South-Western College Publicatins, 2006. 576 p. ISBN 978-0-324-57899-7.

28) *Ispo-the international sports business network.* [Online]. 2010. [cit. 2010-08-06]. Available at: <http://www.ispo.com/en/Home>.

29) KAPFERER, Jean-Noel. *The new strategic brand management: creating and Sustaining brand equity long term.* 4th edition. London, UK: Kogan Page Publishers, 2008. 560 p. ISBN 978-0-7494-5085-4.

30) *Kiteboarding.* [Online] 2010. [cit. 2010-08-02]. Available at: <www.kiteboarding.cz>.

31) *König surf.* [Online] 2010. [cit. 2010-08-01]. Available at: <www.konig.cz>.

32) KOTLER, P. *Marketing od A do Z.* 1st edition. Praha, Czech Republic: Management Press, 2003. 203 p. ISBN 80-7261-082-1.

33) KOTLER, Philip., ARMSTRONG, Gary. *Principles of marketing*. 13th edition. New Jersey, USA: Pearson Education, 2010. 613 p. ISBN 978-0-13-700669-4.

34) KUMAR, N.Et Al. *Marketing Management.* 1st edition. New Delhi, India: Anmol Publications PVT. LTD., 2001. 418 p. ISBN 81-261-1020-1.

35) McDANIEL Carl JR., GATES Roger. *Marketing research essentials.* 2nd edition. Cincinnati, USA: Thomson South-Western, 1998. 780 p. ISBN: 0-538-87669-7.

36) McLOUGHLIN, D., AAKER, D.A. *Strategic Market Management: Global Perspectives*. 1st edition. Barcelona, Spain: Grafos SA, 2010. 368 p. ISBN 978-0-470-68975-2.

37) *Meatfly.* [Online] 2010. [cit. 2010-08-07]. Available at: <www.meatfly.cz>.

38) *Mill.* [Online] 2010. [cit. 2010-08-07]. Available at: <www.mill.cz>.

39) MINTZBERG, H., GHOSAL, S. *The Strategy Process: Concepts, Contexts, Cases*. 2nd edition. Harlow, UK: Pearson Education Ltd., 2003. 489 p. ISBN 978-0-273-65120-8.

40) MOHR, Jakki J., SENGUPTA, Sanjit., SLATER, Stanley. *Marketing of High - Technology Products and Innovations.* 3rd edition. U.S.A.: Jakki Mohr, 2009. 538 p. ISBN 978-0-13-604996-8.

41) *Nugget.* [Online] 2010. [cit. 2010-08-05]. Available at: <www.nugget.cz>.

42) *Obchodní rejstřík a Sbírka listin Ministerstva spravedlnosti České republiky.* [Online] 2010. [cit. 2010-08-11]. Available at: <http://www.justice.cz/xqw/xervlet/insl/report?sysinf.vypis.CEK=319819&sysinf.vypis.rozsah=aktualni&sysinf.@typ=transformace&sysinf.@strana=report&sysinf.vypis.typ=XHTML&sysinf.vypis.klic=cde49acbcd07e56d12ea50c3cce66fa9&sysinf.spis.@oddil=C&sysinf.spis.@vlozka=30782&sysinf.spis.@soud=Krajsk%FDm%20soudem%20v%20Brn%EC&sysinf.platnost=11.08.2010>

43) ONKVISIT, Sak., SHAW, J.John. *International marketing: analysis and strategy.* 4th edition. London, UK: Routlege, 2004. 594 p. ISBN 0-415-31132-2.

44) *Peace.* [Online] 2010. [cit.2010-08-07]. Available at: <www.peace.cz>.

45) *PUBLISHING Oecd Publishing*. *OECD Economic Surveys: Czech Republic 2010.* 1st edition. Praha, Czech Republic: OECD Publishing, 2010. 157 p. ISBN 978-92-64-08294-6.

46) RADOŠEVIĆ, S., SADOWSKI, B. *International Industrial Networks and Industrial Restructuring in Central and Eastern Europe*. 1st edition.

Dorndrecht, Netherlands: Kluwer Academic Publishers, 2004. 249 p. ISBN 1-4020-7844-7.

47) RAINEY, D.L. *Product Innovation: Leading Change through Integrated Product Development*. 1st edition. Cambridge, UK: Cambridge University Press, 2005. 625 p. ISBN 978-0-521-842575-4.

48) RANCHHOD, Ashok. Marketing Strategies: A Twenty-first Century Approach. 1st edition. Essex, UK: Pearson Education Limited, 2004. 279 p. ISBN 0-273-65192-7.

49) *Represent.* [Online] 2010. [cit. 2010-08-07]. Available at: <www.represent.eu>.

50) SÄÄKSVUORI, Antti., IMMONEN, Anselmi. *Product Lifecycle Management.* 3rd edition. Heidelberg, Germany: Springer-Verlag Berlin, 2008. 253 p. ISBN 978-3-540-78173-8.

51) *Salebra.* [Online] 2010. [cit. 2010-08-07]. Available at: <www.salebra.com>.

52) *Snowboardel.* [Online] 2010. [cit. 2010-08-05]. Available at: <www.snowboardel.cz>.

53) SVĚTLÍK, J. *Marketing – Cesta k trhu.* 1st edition. Plzeň, Czech Republic: Vydavatelství a nakladatelství Aleš Čeněk, 2005. 340 p. ISBN 80-86898-48-2.

54) *Vehicle.* [Online] 2010. [cit. 2010-08-07]. Available at: <www.vehicle.cz>.

55) WALLACE, Robert L. *Strategic partnership: an entrepreuneur's guide to joint Ventures and alliances.* 1st edition. USA: Kaplan Publishing, 2004. 207 p. ISBN 0-7931-8858-8.

56) WILSON, Richard M. S., GILLIGAN, Colin. *Strategic marketing management: planning, implementation and control.* 3rd edition. Oxford, UK: Butterworth-Heinemann, 2005. 867 p. ISBN 0-7506-5938-6.

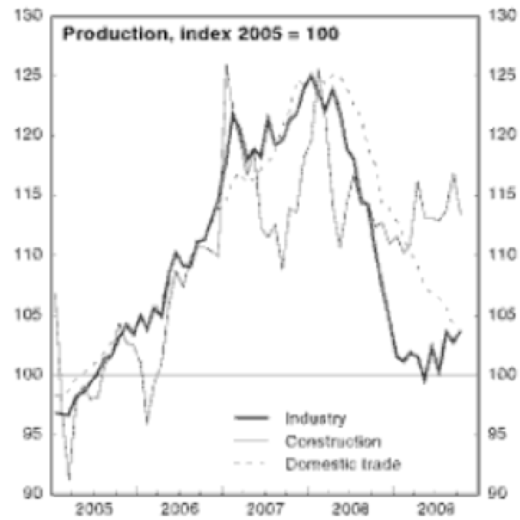
57) WORTHINGTON, Ian., BRITTON, Chris. *Business Environment.* 6th edition. Essex, UK: Pearson Education Limited, 2009. 544 p. ISBN 978-0-27371-675-4.

58) *X-Ray.* [Online] 2010. [cit. 2010-08-07]. Available at: <www.xraywear.cz>.

List of appendixes

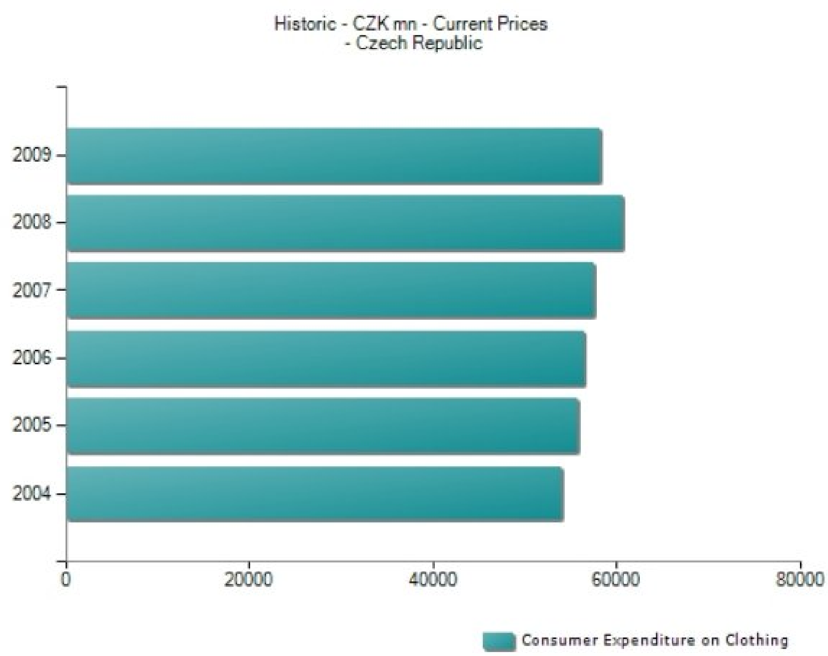
Appendixes

Appendix 1 – Trade growth and production index



Source: OECD Economic Surveys: Czech Republic (2010)

Appendix 2 – Consumer expenditure on Clothing



Source: Datamonitor, Apparel Retail in Czech Republic (2010)

Appendix 3 – PEST analysis

	PEST analysis		
Political and legal	CEE states are part of EU	stable democratic (long-term)	free trade area
Economical	slow growth of economics	unemployment from 9% to 11%	stable inflation
Social	ageing population	cultural differences	young consumers drive sales
Technological	technology transfer		

Source: Author’s research based on Euromonitor (2010), OECD (2005), Datamonitor (2009), Henry (2008).

Appendix 4 – Macro indicators of CEE countries

Real GDP growth (%)	2008	2009f	2010f	2011f
Croatia	2.4	-5.8	-1.1	2.2
Czech Republic	2.3	-4.1	1.8	2.2
Hungary	0.6	-6.3	0.3	2.7
Poland	4.9	1.8	2.5	3.3
Romania	7.3	-7.1	0.9	3.0
Serbia	5.4	-2.9	0.7	2.5
Slovakia	6.2	-4.7	2.6	4.0
Turkey	0.7	-4.7	4.6	5.3
Ukraine	2.1	-15.1	2.8	4.5
CEE8 average	**4.1**	**-3.7**	**1.7**	**3.1**
CEE8+Turkey	**2.7**	**-4.2**	**2.9**	**4.0**

CPI (%), eoy	2008	2009f	2010f	2011f
Croatia	2.9	1.9	4.0	3.5
Czech Republic	3.6	1.0	2.3	2.2
Hungary	3.5	5.6	3.6	3.2
Poland	3.3	3.5	2.4	3.2
Romania	6.3	4.7	4.0	3.7
Serbia	8.6	7.7	7.8	7.0
Slovakia	4.4	0.5	2.0	4.0
Turkey	10.1	6.5	7.8	7.0
Ukraine	22.3	13.0	12.5	9.0
CEE8 average	**5.8**	**4.2**	**3.9**	**3.9**
CEE8+Turkey	**7.5**	**5.2**	**5.5**	**5.1**

Unemployment (%)	2008	2009f	2010f	2011f
Croatia	8.4	9.7	12.0	11.5
Czech Republic	5.4	8.1	9.7	9.4
Hungary	7.8	10.0	10.9	10.0
Poland	10.0	11.0	12.7	10.8
Romania	5.8	6.9	8.3	8.2
Serbia	13.7	16.1	18.0	18.0
Slovakia	9.6	12.1	13.8	13.3
Turkey	11.0	14.0	13.2	12.8
Ukraine	6.4	8.8	8.6	8.3
CEE8 average	**8.2**	**9.9**	**11.3**	**10.4**
CEE8+Turkey	**9.3**	**11.6**	**12.1**	**11.4**

3M rates (average, %)	2008	2009f	2010f	2011f
Croatia	7.0	8.9	3.5	5.0
Czech Republic	4.0	2.2	1.5	2.4
Hungary	8.9	8.6	5.3	4.8
Poland	6.3	4.3	4.1	5.1
Romania	13.0	11.7	6.0	5.4
Serbia	15.6	14.4	9.5	10.0
Slovakia	4.2	1.2	0.9	1.9
Turkey	0.0	0.0	0.0	0.0
Ukraine	14.8	18.0	9.5	7.0
CEE8 average	**8.1**	**7.0**	**4.5**	**4.8**
CEE8+Turkey	**4.8**	**4.1**	**2.6**	**2.8**

C/A (%GDP)	2008	2009f	2010f	2011f
Croatia	-9.2	-5.2	-4.2	-4.0
Czech Republic	-3.1	-1.0	-1.1	-1.5
Hungary	-7.1	0.2	-0.7	-1.4
Poland	-5.0	-1.6	-3.1	-4.8
Romania	-11.6	-4.4	-4.5	-4.8
Serbia	-17.4	-6.0	-7.3	-7.7
Slovakia	-6.5	-3.2	-2.3	-2.8
Turkey	-5.7	-2.3	-3.9	-4.2
Ukraine	-6.7	-1.7	0.2	2.0
CEE8 average	**-6.7**	**-2.1**	**-2.6**	**-3.2**
CEE8+Turkey	**-6.3**	**-2.2**	**-3.1**	**-3.6**

Budget Balance (%GDP)	2008	2009f	2010f	2011f
Croatia	-1.6	-3.0	-3.5	-3.0
Czech Republic	-2.1	-5.3	-4.2	-3.2
Hungary	-3.8	-3.9	-4.2	-3.6
Poland	-2.2	-6.9	-6.2	-4.8
Romania	-5.4	-8.3	-7.3	-6.1
Serbia	-2.5	-4.5	-4.0	-3.5
Slovakia	-2.3	-6.8	-7.5	-6.0
Turkey	-1.8	-5.5	-4.2	-3.2
Ukraine	-1.2	-2.3	-4.0	-3.0
CEE8 average	**-2.7**	**-5.8**	**-5.5**	**-4.4**
CEE8+Turkey	**-2.3**	**-5.7**	**-5.0**	**-3.9**

Source: Erste Group research

Available at:

http://www.csas.cz/banka/content/inet/internet/cs/CEE_insights_2010_05_07.pdf

[Accessed 25th May 2010]